Austria ... Sch 18	Indonesia .. Rp 2500	Portugal ... Esc 75
Bahrain .. Din 0.650	Italy .... L 1100	S. Arabia .. Rls 6.00
Belgium .. BFr 38	Japan Y550	Singapore . S$ 4.10
Canada ... C$2.00	Jordan ... Fils 500	Spain .... Pta 100
Cyprus .. Mils 600	Kuwait ... Fils 500	Sri Lanka .. Rup 30
Denmark .. Dkr 7.25	Lebanon .. LL 6.00	Sweden .. Skr 6.50
Egypt ... E£1.00	Luxembourg . LFr 38	Switzerland SFr 2.00
Finland .. Fmk 6.50	Malaysia .. Rm 4.75	Taiwan ... NT $85
France .. FFr. 6.00	Mexico .. Pes 300	Tunisia .. Din 0.600
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey .... L 160
Greece ..... Dr 80	Netherlands . Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong . HK$ 12	Norway .. Nkr. 6.00	U.S.A. $1.50
India ... Rup. 15	Philippines . Pes. 20	

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,369 Friday July 13 1984 D 8523 B

The inevitability of Britain's dock strike, Page 18

NEWS SUMMARY

GENERAL

UK bars three Nigerian diplomats

Britain ordered the expulsion of two Nigerian diplomats and said the country's top diplomatic representative, Major-General Haldu Hananiya, would not be allowed to return from Lagos.

Foreign Secretary Sir Geoffrey Howe told the House of Commons that members of the Nigerian High Commission in London seemed implicated in the abduction of Alhaji Umaru Dikko, prominent opposition politician.

Lagos refused to allow interrogation of any of its diplomats, so Britain ordered two, counsellor Peter Oyedele and attaché Okon Edet, to leave the country.

UK refund cleared

European Parliament budget committee approved a refund of $600m to Britain on its 1983 EEC budget contribution, ending a long wrangle over timing of the rebate. Page 2

Pickets close roads

Coachloads of striking Spanish shipyard workers sealed off roads in the North-western region of Galicia in a one-day strike over restructuring in the shipbuilding industry. Page 2

Longo resigns

Italian Budget Minister Pietro Longo, implicitly linked by a parliamentary report to the illegal P-2 masonic lodge, resigned. Page 2

Andriessen backed

Dutch Government nominated former finance minister Frans Andriessen, currently EEC competition commissioner, to succeed Gaston Thorn as EEC Commission president.

Ulster violence flares

Ulster youths petrol-bombed police in Londonderry as Protestant Orangemen marched through the city to commemorate the Battle of the Boyne.

Paris bombing

A bomb exploded in a building in Paris housing the Atlantic Institute, an independent Western "think tank" on international policy affairs. It caused extensive damage but no casualties.

Durban blast

Four people were killed and 21 injured when a bomb exploded in an industrial suburb of Durban, South Africa.

Shorter week

Belgium's employers and trade unions agreed to cut 38 minutes from the 40-hour working week without loss of pay in each of the next two years to combat unemployment.

Drug troops sacked

Seven British Rhine Army soldiers were dismissed from the service and given periods of detention after pleading guilty to possessing drugs.

China breakages

Poor packaging costs China $5bn a year in broken or damaged products, including $50m in smashed eggs.

Five-car families

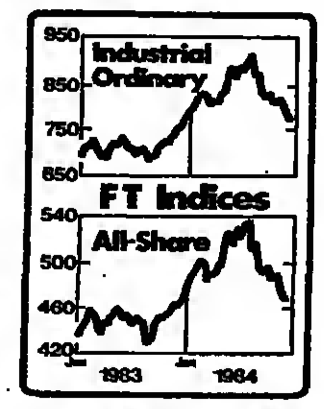
There are nearly five cars to a family in Saudi Arabia's commercial capital, Jeddah, the highest such ratio in the world.

BUSINESS

Chemical Bank profits up 10%

CHEMICAL BANK, the sixth largest U.S. bank reported a 10 per cent increase in second-quarter net earnings to $76.78m. Meanwhile, InterFirst, Texas-based bank, edged ahead in the quarter to $13.4m from $9.6m in the comparable period last year. Page 21

WALL STREET: The Dow Jones industrial average closed 3.96 down at 1,104.57. Section III



DOLLAR closed at a 10½-year high against the D-Mark in London of DM 2.848 (DM 2.8405). It also improved to FFr 8.735 (FFr 8.71), SwFr 2.408 (SwFr 2.4005) and Y242.8 (Y242.1). On Bank of England figures, its trade-weighted index rose to a record 136.8 from 136.5. In New York it closed at DM 2.854, FFr 8.7615, SwFr 2.418 and Y242.6. Page 42

STERLING weakened in London to $1.307 ($1.314), DM 3.7225 (DM 3.74), FFr 11.415 (FFr 11.465), SwFr 3.1475 (SwFr 3.18) and Y317.25 (Y318.75). Its trade-weighted index was firmer at 77.7 from 77.6. In New York it closed at $1.3075. Page 42

GOLD rose 50 cents on the London bullion market to $342. It also improved in Zurich to $341.75 ($340.75) and was fixed in Frankfurt at $340.72 ($337.22). In New York, the Comex July settlement was $338. Page 42

TOKYO stocks retreated, with the Nikkei-Dow market average 84.72 off at 10,270.18. Section III

LONDON gilts steadied but equities suffered further selling. The FT Industrial Ordinary index shed 10.9 to 771.1. Section III

HONG KONG stock market regained stability after sharp slides. The Hang Seng index firmed 0.17 to 763.78. Section III

U.S. MONEY SUPPLY: M1 fell $1.6bn in the week ending July 2.

UNITED TECHNOLOGIES, diversified U.S. industrial group, lifted second-quarter net earnings by 20.7 per cent to $188.99m and sales by 12.5 per cent to $4.18bn.

HONDA Motor of Japan said improved sales and margins helped to boost its first-quarter group net earnings by 38 per cent to Y28.475bn ($118m). Page 22

ABN, the largest Dutch commercial bank, expects a fall in first-half profits because of reduced interest-rate margins and slow growth in demand for credit. Page 23

WESTINGHOUSE Electric, the U.S. industrial and broadcasting group, lifted its second-quarter profits by 33 per cent to $128m after a recovery in sales of capital goods and services to the construction and utility markets. Page 21

VOLKSWAGEN, the West German motor group, said the metalworkers' strike cost it production of 160,000 vehicles and DM 2.8bn in sales revenue, and would reduce its after-tax result by DM 500m this year. Page 23

Production difficulties in London may have resulted in typographical errors in unit trusts, some advertisements and elsewhere in today's edition.

Mondale takes White House gamble with Ferraro

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

MR WALTER MONDALE yesterday took a historic political gamble by dramatically announcing the choice of Ms Geraldine Ferraro, a three-term Congresswoman from New York, as his vice-presidential running mate for November's U.S. elections.

By selecting the 48-year-old, Roman Catholic Ms Ferraro, Mr Mondale launched the Democrats into uncharted and potentially dangerous waters. In two centuries of U.S. presidential politics, no woman has ever been nominated for the White House by a main political party.

Mr Mondale announced what he called "this exciting choice" to tumultuous applause in the chamber of the Minnesota state legislature, where he first declared his own quest for the presidency a year and a half ago.

Now assured of the official presidential nomination at next week's Democratic convention in San Francisco, Mr Mondale said he had "looked for the best vice-president and found her." Foreshadowing what seems bound to be a chief theme of his autumn campaign, Mr Mondale said his choice meant that "America is not just for some of us."

An ecstatic Ms Ferraro told wildly cheering supporters that "electricity is in the air." Her first contacts with party colleagues had assured her that her nomination was being hailed with "excitement, a sense of new possibilities and pride," she said.

Women's leaders yesterday praised Mr Mondale's "inspiring" move as opening a new chapter in American history and likely to draw millions of women voters to the Democrats.

The fact remains, however, that political experts are deeply divided over the likely impact of a woman on the ticket, with many of them warning that it might prove highly unpopular with conservative southerners and blue-collar voters.

An opinion poll released yesterday suggested that Senator Gary Hart of Colorado, who has still not officially conceded defeat in his own bid for the presidential nomination, would have been a stronger running mate for Mr Mondale than a woman.

There was also good news for Mr Mondale in the ABC-Washington Post poll, which showed him trailing President Ronald Reagan by only 7 percentage points, 51 to 44 per cent, against 15 points or more two weeks ago.

Mr Mondale's immediate problem will be to fend off accusations that he chose Ms Ferraro simply because she was a woman, after mounting pressure from the country's powerful feminist movement. Women's leaders had threatened to nominate their own vice-presidential candidate from the convention floor if Mr Mondale did not pick a woman.

Yesterday's poll gave Mr Reagan a 54 per cent approval rating, well down from his peak of 63 per cent after last October's U.S. invasion of Grenada. Nevertheless, 86 per cent of those polled said they thought Mr Reagan would win in November, with only 38 per cent predicting a Mondale victory.

Mr Mondale said Ms Ferraro, the daughter of an Italian immigrant, had risen to the top on her own merit in an embodiment of "the classic American dream." She had a strong family life, deep religious convictions, and would fight for working Americans with average incomes, he said.

Ms Ferraro said that although she believed in "strong, sensible defence," she adamantly opposed "reckless adventures in Latin America" - a reference to Mr Reagan's Central American policies. She called for talks to "stop the nuclear arms race before it destroys us all."

She believed that most Americans shared the concerns of her own constituents over social security, health care, the ravages of unemployment and the overall future of the country.

Ready to face the challenge, Page 4

Mitterrand concedes broader use of referendum

By Paul Betts in Paris

PRESIDENT François Mitterrand announced last night a proposal to revise the French Constitution to broaden the use of the referendum in important issues involving the civil liberties of French citizens.

The French President also said the Socialist Government would submit to parliament a new Bill on the controversial issue of the reform of private education in France which is currently splitting the entire country.

"The two moves represent a substantial concession on the part of the President to the right-wing opposition which has increased its attacks on the Government with a feverish crescendo since the big setback of the French Left in the European Parliament elections last month.

President Mitterrand took the country by surprise during his short address, broadcast nationwide, last night. His formal address was announced late on Wednesday evening after his return from Jordan and Egypt.

By agreeing to amend the Constitution to enable a referendum to be held on civil liberty issues, President Mitterrand appears to have bowed to growing public opposition to the Government's controversial reform of private education in France.

The French Senate, in which the opposition has a comfortable majority, had demanded a referendum on the private school issue. It was rejected by the National Assembly, the lower house, which is equally comfortably held by the Socialists, on constitutional grounds.

Under Article 11 of the Constitution, a referendum may only be held in France on issues related to the organisation of the state and the public powers and on the ratification of certain international treaties.

President Mitterrand has asked both houses to consider next week a revision of this article to allow a referendum on issue of civil and public liberties. If the houses approve, the revision will itself be put to a referendum in September.

By agreeing to change the constitution and expressing his support for the referendum procedure in cases of civil liberties, President Mitterrand is clearly trying to recover for the Left its image as a champion of civil liberties. Indeed, the Right has increasingly appeared to score political points by campaigning on the issue.

Bundesbank holds rates as $ soars

BY PHILIP STEPHENS IN LONDON

THE DOLLAR continued to surge on foreign exchange markets yesterday, reaching a new record against the French franc and a 10-year high against the D-Mark, but West Germany decided against following Britain's lead in raising interest rates.

The West German Bundesbank, which has been intervening daily to slow the dollar's rise, announced that it was leaving its key Lombard and discount rates unchanged at 5.5 and 4.5 per cent.

The 2-point rise in Britain's base lending rates to 12 per cent on Wednesday had prompted speculation that the West German authorities might also increase rates.

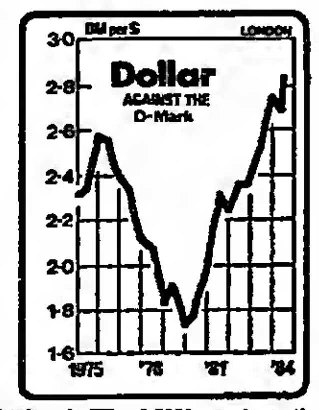
But the decision to hold present levels reflects the Bundesbank's confidence that the inflationary impact of the rising dollar is being offset by lower world commodity prices and stable domestic monetary conditions.

West German officials said they remained concerned by the dollar's strength, but the impact on inflation has been much less than they feared, while it is continuing to boost exports.

The dollar, buoyed by the expectation that the U.S. Federal Reserve's Open Market Committee would tighten credit next week, closed in London at DM 2.8480, its highest level since January 1974, and 0.75 pfennigs up on the day.

It rose further in New York to trade at over DM 2.85 at midday.

Against sterling, the U.S. currency closed at $1.3070, up from $1.3140, while it rose to a record



high of FFr 8.7350 against the French franc.

Dealers predicted further gains for the dollar in coming days, with the markets looking to DM 2.90 as their next target.

The U.S. currency's rise has been slowed, however, by fears of concerted intervention by European central banks.

The banks, led by the Bundesbank, have made what one senior central banker said last night were "substantial" dollar sales over the last week.

The Bundesbank's interventions at the official fixings and in the open market are being supplemented by dollar sales against D-Marks by the Bank of France and other central banks.

France and other countries in the European Monetary System have

Continued on Page 20

Familiar old sterling crisis, Page 10; Lex, Page 20; Money markets, Page 43; Stock markets, Section III

British economy 'will not be hurt'

By Peter Riddell, Political Editor, in London

THE RECENT rise in UK interest rates would not last for long and would not seriously damage the British economy, Mr Nigel Lawson, the Chancellor of the Exchequer, told the House of Commons yesterday.

Both he and Mrs Margaret Thatcher, the Prime Minister, blamed the latest financial events on pressures caused by the strikes in the mines and docks, and on high U.S. interest rates.

Mr Lawson said he saw "nothing in the domestic monetary situation to justify a sustained period of interest rates at their present level."

He had little doubt that when the markets were able to take a dispassionate view, there would be "a resumption of the trend towards lower interest rates."

There was little overt criticism from Conservative Members of Parliament, who, while worried by developments, are generally willing to wait and see what happens over the summer.

Mr Lawson played down the impact on the economy of the rise in interest rates because industrial profits and liquidity had improved considerably so that companies were now much less vulnerable to such increases.

He said that the rise in rates reflected "short term fluctuations which could not be avoided."

Mr Lawson said that the UK had been able to hold its interest rates well below those in the U.S. for some time. It was not possible to sustain such decoupling when industrial unrest at home temporarily unsettled markets.

Continued on Page 20

Steel producers criticise U.S. import plan

BY OUR FOREIGN STAFF

WORLD STEEL producers, led by the EEC, expressed sharp criticism yesterday of the U.S. International Trade Commission's (ITC) proposals to boost tariffs and tighten quotas on a variety of carbon steel imports.

The European Commission said it regretted the decision and that the ITC had not taken account of arguments advanced by the Commission.

Those arguments centre on the analysis that imports are not the cause of the U.S. steel industry's difficulties. The EEC, after long and difficult negotiations, worked out an agreement controlling Community steel shipments to the U.S. Brussels officials noted that, because of that agreement, EEC sales in the U.S. last year were 27 per cent down on 1982.

The Commission tempered its views about any retaliatory reaction because the Reagan Administration still has 60 days in which to react to the ITC's recommendations.

Japanese steel industry representatives amplified the EEC view, claiming that the U.S. industry was in trouble because of declining domestic demand, not because of unfair competition from imports.

Nippon Steel said: "If it is judged that protection against imports is necessary, steps should be taken against those countries which have been trading unfairly, not against Japan."

Japan's steel exports to the U.S. last year were 4.6m tonnes, the lowest level for 15 years, and were to be compared with shipments of 6m to 7m tons before 1981, the Japanese Iron and Steel Exports Association said.

Mr Kishichiro Amaye, of the Japanese Foreign Ministry, said that adoption of the proposals would be a "deplorable thing" and would have a "great impact" on Japan.

In Brazil, the Government said it had expected tough measures, but was clearly surprised by the severity of the Commission's recommendation.

Sr Tarcisio Marciano da Rocha, a senior official at the Finance Ministry, said the measure "is unjustifiable, from any point of view; whether economic, technical or political." He said it was clearly a protectionist step and represented a "glaring inconsistency" with the U.S. proposals for a new round of world trade negotiations.

Brazilian officials say they are observing the voluntary restraint of steel exports to the U.S. announced unilaterally earlier in the year, even though U.S. companies have not responded, as had been hoped, by withdrawing their anti-dumping and anti-subsidy suits against Brazilian steel products.

South Korean steel executives said they were especially worried because this was a U.S. election year and political considerations might be a factor.

Thorn to buy 76% of Inmos

BY GUY DE JONQUIERES IN LONDON

THORN EMI, the British entertainment and electronics group, is to pay £95m ($123.5m) for the UK Government's 76 per cent shareholding in Inmos, the microchip manufacturer, under an agreement in principle announced yesterday.

The cash offer, which follows months of uncertainty about the future ownership of Inmos, was welcomed by Mr Norman Tebbit, the UK Trade and Industry Secretary, who said it met the Government's long-standing objective of a sale to the private sector.

He told the House of Commons the deal would ensure Inmos continued to transfer its technology from the U.S. to the UK and made it available to British industry.

The offer valued the whole of Inmos at £125m, and represented a fair return on the £65m government investment in the company's equity since it was set up in 1978.

Thorn had assured the Government it intended to develop Inmos's worldwide business in line with the goals of the company's management. The Inmos board considered Thorn an "ideal partner."

Mr Peter Laister, Thorn's chairman, said yesterday it wanted to apply Inmos technology to its own consumer, computing and defence electronics business, but it was interested primarily in the opportunity to invest in a growth company with potential to earn large profits.

Inmos made a small profit in the fourth quarter of last year after six years of losses. It expects to make a profit this year of as much as £15m on turnover of more than £100m, on the back of the continued boom in world chip demand.

Thorn plans to offer Inmos' founders and staff, who own 24 per cent of the company, the option of selling their shares now for about £30m or to hold on for four years and receive a higher price if profits perform well.

Thorn said it expected to conclude the agreement in a few weeks after settling a number of complex legal details related to Inmos' shareholding structure. It had not yet decided how to finance the deal.

The agreement includes the transfer of about £35m of liabilities guaranteed by the British Technology Group, which holds the Government's interest in Inmos.

Mr Laister was confident Thorn could fund Inmos' own investment plans, which call for spending of about £80m in the next three years. Inmos expected to be able to finance much of this itself, on the basis of its recent performance.

Thorn EMI is the only British company to have made a firm proposal to invest in Inmos. It made its first approach about a month ago, when it offered about £10m for a stake of just less than 10 per cent.

Its approach was warmly welcomed by the Inmos board, which was resisting a £58m offer from American Telephone and Telegraph.

Lex, Page 20

CONTENTS

MEPs remove final bar to Britain's refund

BY PAUL CHEESERIGHT IN BRUSSELS

MRS MARGARET THATCHER will get her money back, the European Parliament decided yesterday, ending a long wrangle in the EEC over when Britain should receive a refund of £457m from its contribution to the 1983 Community budget.

The Parliament's budget committee has approved the transfer of the funds from the reserve section of the 1984 budget to the operational section, so that the European Commission may now write a cheque for Whitehall.

The budget committee agreed this unanimously with two abstentions, those of Herr Erwin Langer, a West German Socialist and Mme Christiane Scrivener, a French Liberal, respectively the chairman and rapporteur of the committee.

Funds cannot be transferred from one section to another of the budget in this fashion without the committee's approval.

Relief at the decision was obvious among the British Government. An official spokesman spoke of "considerable satisfaction that the way is now clear for the money to be paid." Lord Douro, the Conservative MEPs' budget spokesman said: "I can't tell you how relieved I am."

The EEC summit at Stuttgart in June 1983 agreed that both the UK and West Germany, the only net contributors to the budget, should receive refunds for 1983—a total of Ecu 1.2bn, of which the British share was Ecu 750m.

But in the aftermath both France and Italy argued that the refund was contingent on Britain agreeing to an increase in the size of the EEC budget. They blocked the technical regulations, needing unanimous approval to make the payment possible.

Last December, Parliament decided that it would in any case block the payment, by putting it in the 1984 budget's reserve section, in effect because the UK did not appear very Community-minded.

Although Britain agreed to an increase in the budget at the Brussels summit last month, the passing of the technical regulations for the payment remained stalled until finance ministers met earlier this week.

That left the final word with Parliament's budget committee which acted yesterday on the basis that the results of last month's Fontainbleau summit were enough for an EEC relaunch.

Italian minister quits over P-2 link

ROME—Sig Pietro Longo, Italy's budget minister, implicitly linked by a parliamentary report to the illegal P-2 masonic lodge, resigned yesterday, the Italian news agency Ansa said.

Sig Longo, leader of the Social Democratic Party which forms a small but vital part of the five-party coalition government, gave his notice to Prime Minister Bettino Craxi.

Ansa said Sig Craxi had accepted the resignation and would assume the responsibilities of budget minister for an interim period.

After meeting Sig Craxi, Sig Longo told reporters: "I have done what I had to do in the face of a situation which otherwise could have gone to pieces with very serious risks for our institutions.

"Today, I feel more free not just for myself but for all those who could be swept away by this infernal machine of suspicion."

Sig Longo added: "I also feel much stronger, as secretary of my party, in my support for the Government at a difficult time."

Political commentators said Sig Longo's resignation removed the greatest obstacle to the 11-month-old Government's staying in office.

Sig Longo, 48, had been under heavy political fire for a year after his name appeared on a list of members of the P-2 lodge found in the villa of its fugitive grand master, Sig Licio Gelli.

On Tuesday, an all-party investigating commission approved by 34 votes to four a report by Christian Democratic Deputy Tina Anselmi describing the list as authentic and credible. Sig Longo has denied belonging to P-2.

Reuter

French Patronat leader Yvon Gattaz talks to **David Marsh**

Employers' voice shouts to be heard

M Gattaz: diplomacy by megaphone

IN THE shifting kaleidoscope of France's industrial and political scene, M Yvon Gattaz, the president of the Patronat employers' association, at least has come to be associated with a certain consistency. He stands for unremitting gloom.

M Gattaz's bespectacled features, topped by theatrically-arched eyebrows constantly jerking upwards in alarm, surprise or scorn at government economic policy measures, have seldom been absent from TV and newspapers since he took over at the Patronat helm two and a-half years ago.

So it has been something of a surprise to see that, lately, M Gattaz has been bearing vaguely good news. The message, backed up by a specially-commissioned opinion poll of company bosses, is that employers could create 470,000 new jobs over the next three years if the Government acceded to long-standing demands to lower administrative constraints on companies, notably by easing controls on making staff redundant.

The Patronat plan has met predictable scepticism from the Socialist Government and left-leaning trade unions. Government officials say the proposal to ease lay-off constraints for newly-hired workers would eventually create first and second classes of employees. Union leaders, such as the moderate M Andre Bergeron of the blue-collar Force Ouvriere, have strongly disputed—probably with some justification—the basis of M Gattaz's arithmetic.

None the less, the Patronat leader professes to be "very optimistic" that his ideas, in some form or another, will eventually be adopted.

At a time when the Government is searching desperately for ways to stop the ominous climb of unemployment, now 2.3m and expected to reach 2.5m by Christmas, M. Gattaz believes he has launched an initiative whose logic is difficult to resist.

After all, M Jacques Delors, the Finance Minister, admits to being impressed by the fabled "flexibility" of the U.S. economy, where easier hiring-and-firing procedures (as well as, of course, the huge budget deficit) have contributed to creating 4m jobs last year.

The chief difficulty, M Gattaz believes, is, as usual, on the psychological front. Measures which interfere with employees' cherished rights have always been termed "social regression." The label needs to be changed, he says, to "progression" because they would actually bring down unemployment.

One source of Patronat satisfaction is that the Government has accepted its argument that high social charges on employers actually force up job losses by dampening profitability. M Gattaz sees the reduction of social security costs on companies proclaimed for the distressed steel region of Lorraine as demonstrating the Patronat's theories.

There are other areas of common ground. M Gattaz, a 59-year-old son of a painter, is a self-made man who knows all about one of the Government's favourite preoccupations — running small business. In contrast to his predecessor, the comfortably patrician M Francois Ceyrac, a long-time Patronat functionary, M Gattaz with his brother founded his own company, Radiall, in 1952. It is now a highly regarded electronis business, employing 840 people with a turnover of FFr 200m (£17.5m).

M Gattaz is in some sympathy with the Government over the denial of fresh state help to Creusot-Loire which forced the heavy engineering group into spectacular bankruptcy last month. He seems Creusot-Loire as an example of the large, lumbering type of company, irredeemably reliant on the state for contracts, which is out of place in a more flexible economy founded on private enterprise.

In private, he also gives the Government some credit for restoring the image of the private entrepreneur (a paradox for a Socialist administration) and holding down wage costs through its general anti-inflation efforts.

There is still, of course, a lot on the negative side. M Gattaz peated refusal to approve 2,000 berates the Government's re-lay-offs at the private Citroen car group (where M Gattaz himself worked in the early 1950s). It is, he says, an "historic misttake" which will discourage thousands of other *patrons* from hiring new staff.

Although the Government has taken some action to restrict growth in employers' costs, he believes it has not gone nearly far enough. The *taxe professionelle*, a business tax levied as a proportion of a company's *wage bill*, is a long-standing thorn in the Patronat's side.

The tax, which is due to rise by about 16 per cent this autumn, has been denounced even by President Francois Mitterrand as "imbecilic." But the Government has decided simply to make a cosmetic reduction in the levy next year, stopping short of the complete abolition called for by employers.

M Gattaz claims to be on straight-talking terms with M Mitterrand, by whom he has been received more than 10 times over the past two-and-a-half years. The President is always courteous, and a good listener, he says.

By contrast, M Gattaz is a good talker. And one of the problems affecting his general credibility is that, in public at least, he talks too often and rather loudly.

His visits to President Mitterrand are habitually followed by ringing corporate S.O.S. messages and dire statements on the economy delivered from the Elysée steps. M Delors has been intensely irritated by what he judges is M Gattaz's aversion to giving the Government any credit for measures to help companies over the past two years.

M Gattaz's megaphone diplomacy has partly represented an effort to chisel out a public image. Squeezed between France's increasingly shrill battery of small business leaders, the big nationalised groups (which are still among the Patronat's 1m-plus adherents) and an elite of big private companies like Moet Hennessy and Oreal which have discreetly formed their own pressure group, M Gattaz believes he has to shout to *stand out in the crowd.*

His aides admit that the Patronat likes to reserve his most doleful jeremiads for the French Press, feeding another message—long-term confidence in the economy, the strength of export efforts, etc.—to foreign journalists.

Last month, coming out of his latest Elysee meeting with the President, M Gattaz again promised "an explosion of discontent" this autumn over the scheduled increases in the *taxe professionnelle*. But his warnings are beginning to lose some of their bite now that corporate finances—as the latest figures from the official statistics institute show—are showing clear signs of improvement as a result of the Government's policies since last year to shift resources back to the company sector.

FRANCE'S annual inflation rate fell to 7.7 per cent in June from 7.8 per cent in May, the lowest for more than 10 years, according to provisional figures, David Marsh reports. The figures, showing a provisional rise in consumer prices of 0.5 per cent in June, the same as in May, were accompanied by the first cut in a French bank's base lending rate since January 1983, following recent modest credit easing action from the Bank of France.

The Paris branch of Chase Manhattan announced the cut yesterday, to 12 per cent from 12.25 per cent, although the big nationalised banks were still hesitating about whether to follow.

Belgium's debt looms over budget wrangle

BY OUR BRUSSELS STAFF

BELGIUM'S rising public debt overshadows the complex political negotiations into which the centre-right coalition Government is moving over the main lines of the 1985 budget. The debt will be swollen this year by the effects of a public sector deficit originally estimated at BFrs 507bn (£6.7bn).

Figures presented to the cabinet of Mr Wilfried Martens, the Prime Minister, by Mr Philippe Maystadt, the Budget Minister, show that on the basis of unchanged policies and a 6 per cent inflation rate, public spending next year will rise to BFr 1,750.6bn.

The figure includes no less than BFr 463bn, about 25 per cent, in interest charges to service the debt. That will be BFr 91bn more than this year, Mr Maystadt said in a newspaper interview.

With a hint of the flavour of the political arguments to come, Mr Maystadt related the charges to the BFr 105bn savings expected to be made next year as a result of a Government austerity package last March.

Would even those who are conscious of the necessity for austerity, he asked, be able to accept that a large part of the result of this effort serves to pay extra interest to the banks?

Making it clear that an increase in individual taxation is out of the question, he sent a flutter of uncertainty through the financial institutions with the suggestion that they might help rather more out of their increasing profits to lower the interest charges.

To some extent, of course, the Government is the master of domestic interest rates, which are running at historically high levels, but this is not the case with those abroad.

Belgian foreign currency debt, zero in 1975, had spiralled to BFr 824bn by the end of last year and had climbed to BFr 942bn by the end of April. At the end of June, the Government floated a further rolling loan of $300m at a floating rate of interest.

Of the total, roughly 35 per cent is denominated in dollars, with a large part of the balance in D-Marks, guilders and Swiss francs.

The high level of U.S. interest rates is increasing the cost of dollar borrowings, only a small portion of which are at a fixed rate. In the Government, however, there is some hope that the higher costs can be absorbed without affecting the outcome of the total spending deficit.

In the first half of the year the deficit was slightly smaller than expected, so there is some slack. Next year it is expected that a slowdown in the U.S. economy will bring lower interest rates with it.

This is a minor blessing—if the calculation is right—for a Government which this year is coping with a net financial deficit equivalent to 11.5 per cent of gross national product, down from 13 per cent in 1982.

Its policy is to keep the growth in public spending lower than the rate of inflation. Mr Maystadt's calculations suggest this should be achieved next year with a real growth of spending of 4.6 per cent, if the debt charges are excluded.

Total public debt will this year pass BFr 4,000bn, a figure which equals 96 per cent of GNP.

THE GROWING DEBT BURDEN (billions of BFr)

Year end	in BFr	in foreign currencies	Total
1978	1,412	15	1,427
1979	1,582	57	1,639
1980	1,804	153	1,957
1981	2,051	388	2,439
1982	2,443	642	3,085

Source: National Bank of Belgium.

Poland accuses Paris Club of slowing talks

By Christopher Bobinski in Warsaw

MR STANISLAW NIECKARZ, Poland's Finance Minister, has accused the Paris Club of Western creditor nations of slowing down talks on rescheduling Polish debt payments to Western governments which fell due between 1982 and 1984.

Originally the Poles were expected to meet twice in July with the 17 nations to whom Poland owes $15.2bn (£11.7bn) overall, but after the first meeting on July 6 the second meeting was postponed until September.

Mr Nieckarz implied at a press conference in Warsaw that the Paris Club had gone back on an agreement with the Poles. Under this Warsaw agreed to pay 20 per cent of the $430m worth of debt outstanding from 1981 on the understanding that the talks would then go more smoothly. At the end of May Poland indeed paid $80m to all of the 17 nations apart from the U.S. claiming that the absence of a technical agreement with the Americans made payments impossible.

U.S.-Polish talks in Washington last month on the sum outstanding which is in the region of $30m failed to produce results and at the July 6 meeting the issue developed into a *significant stumbling block*. Mr Nieckarz said that at the July 6 meeting: "The Western side began producing new conditions and the indications are that the Western European nations working under the influence of the U.S. Government do not want to speed up the talks."

Mr Nieckarz added that repayment of the sums due would be impossible without new credits aimed "mainly at increasing exports" and membership of the International Monetary Fund at present being blocked by the U.S.

Western allies displeased at inter-German air agreement

BY LESLIE COLITT IN BERLIN

THE THREE western allies in West Berlin – the U.S, Britain and France – have indicated their "surprise" and displeasure that the West German Government failed to consult them before the recent conclusion of an air travel agreement between Lufthansa, the West German state-owned airline, and East Germany's Interflug airline.

The allies said that normally all inter-German matters and "particularly air rights" were discussed at the weekly meeting in the West German capital of the Bonn Group, representing the allies. They maintained that they were not informed about the air agreements in advance, contrary to what would be expected. They said that the accord reached by the two national airlines had the character of a state treaty.

A spokesman for the West German Foreign Ministry said yesterday the western allies would be consulted when the air routes were established. He added that they would not touch the allied air corridors to West Berlin.

The agreements provide for a daily scheduled air service to begin "at first" between Frankfurt and Leipzig during the next Leipzig autumn and spring fairs. In addition, the two airlines agreed to recognise each other's tickets and flight documents.

Until now, there has been no scheduled air service between East and West Germany and only infrequent charter flights.

Interflug is to operate charter flights from Leipzig to Hamburg, Düsseldorf and Stuttgart during the autumn trade fair and will begin scheduled flights in the spring and autumn of next year. Herr Heinz Ruhnau, Lufthansa's chairman, said that other cities in East and West Germany could eventually be linked by air.

Lufthansa has openly coveted one destination more than any other – Berlin, where the airline originated after the First World War and grew to become one of the world's largest.

Lufthansa has been prevented from flying to West Berlin because the three allied air carriers – British Airways, PanAm and Air France – have alone exercised the allied rights to use the air corridors for scheduled services between the city and West Germany.

Pickets seal off roads in Spanish ship strike

BY DAVID WHITE IN MADRID

COACH LOADS of pickets sealed off roads in Spain's North-western Galicia region yesterday in a nationwide strike against a reorganisation plan for the shipbuilding industry which has split the trade union movement.

The one-day strike, the latest in a series of protests which has been building up for over a year, received a large scale following in all the main shipyard centres including Bilbao.

In Galicia, where about a quarter of the industry is concentrated, more than 100,000 were reported to have taken part in a protest march in Vigo.

The strike movement, led by the Communist Workers' Commissions, was joined in Cadiz by the local branch of the socialist UGT union, which along with the Basque ELA STV union reached basic agreement earlier this year with state and private shipyard owners on terms for restructuring the industry.

A bomb attack on the Madrid offices of the Vigo-based Ascom shipyard by persons claiming to belong to the Grapo terrorist group was said by company officials to be unconnected with the strike.

The two unions involved in the initial agreement with government and industry representatives met on Wednesday in a bid to obtain a revision of production and demand forecasts at the shipyards. Current management plans imply about 17,000 job losses.

The sector has become the chief focus of labour discontent, as the socialist Government is trying to get talks going on a wide-ranging union employer pact.

Kuwaiti minister predicts tough fight over Opec quotas

BY DOMINIC LAWSON IN VIENNA

SHEIKH Ali Khalifa Al-Sabah, the Kuwaiti oil and finance minister, said yesterday there would be "a hell of a lot of haggling" when ministers from the Organisation of Petroleum Exporting Countries (Opec) meet again to discuss production quotas this autumn.

Ministers left a two-day meeting in Vienna hopeful that rising demand for oil in the coming months may permit them to raise quotas at their next meeting. Some observers, however, feel that Opec has produced so far in excess of its quotas in the first half of this year, that little room for manoeuvre remains.

The Kuwaiti oil minister admitted in Vienna yesterday that Opec production was as high as 18.5m barrels a day in June and averaged 18m b/d over the second quarter as a whole.

These figures are higher than those given recently by the International Energy Agency and are well in excess of demand for Opec oil.

The official Opec production ceiling is 17.5m b/d and Sheikh Ali Khalifa admitted that "seven or eight Opec countries have exceeded their quotas."

Sheikh Ali Khalifa also discussed the forthcoming attempt by Sheikh Ahmed Zaki Yamani, the Saudi oil minister, to persuade Britain and other non-Opec producers to restrain their output and said that "if the British don't respond to our initiative they will be the losers."

He added that "the UK is a high cost producer. It is in its interest to see the highest possible oil price no matter what the British energy secretary says to the press."

In giving his projections for the rest of the year's oil market, Sheikh Ali Khalifa—considered by many Opec watchers to be the guiding force behind Opec's strategy—said that demand for Opec oil would be a little above 18m b/d in the third quarter and that the fourth quarter "will be much stronger allowing enough room for Opec to increase its production ceiling."

Scepticism has been stressed by some oil traders in Vienna following Opec's award to Nigeria of an increase in its 1.3m b/d quota of 100,000 b/d in August and 150,000 b/d in September. They believe that Nigeria would need to discount prices in order to sell the extra.

Spending on oil exploration and production plummets

IN VIENNA, Sheikh Yamani and Opec have done it again. Apart from a minor concession to Nigeria, the official price and output levels have held, suggesting that the world should be able to enjoy another quarter of fairly stable oil prices.

But as the Opec circus leaves the Intercontinental Hotel, ministers and certainly Sheikh Yamani must know that the brave talks about being able to increase Opec production significantly after the next ministerial meeting, probably in Geneva in late September, is just talk.

Having overproduced by about 600,000 b/d in the first half of this year, the cartel's members have already spread and eaten most if not all of the jam they hoped to enjoy in the fourth quarter. The chances are that Geneva will see another balancing act, *orchestrated by the Saudi Oil Minister*, to convince Opec countries that they must wait a little longer before they raise either production or price.

But just as it is in no doubt that Opec will have to go on treading a fine line for several more years, it is also certain that on present trends, Opec will recover its power to manipulate the oil market in the 1990s.

This message is set out in some detail in the latest edition of Chase Manhattan Bank's annual review of the world oil and gas business—one of the most comprehensive regular attempts not only to forecast the oil and gas market six years ahead, but to analyse the state of the world's oil companies.

The most eye-catching finding of the study is the precipitous 35 per cent drop in the non-Communist world's spending on oil and gas exploration and production in 1983—the biggest drop since Chase started collecting figures in 1946.

The reasons for this are a mixture of declining drilling costs, especially in the U.S., and a cut in activity by oil companies worried about the effect of weak prices on their investments.

Although the major oil companies have enormous financial strength, the industry's net revenues declined by 7 per cent in 1983 and profits, at least for the smaller companies, went in the same direction. It was the third successive year of decline.

Although Chase, like other forecasters, sees a profits rebound this year, it then expects profits to be flat in 1985 and 1986, before returning to a growth path.

Now it is true that Opec's *own state oil companies* have suffered more than any other group from these problems, but the comfort for Opec is that in effect the dip in profitability and capital spending is expected to have upon the ability of the non-Opec countries' ability to add to their oil reserves.

As the table shows, by 1990, Chase expects reserves in the U.S. to be down by 22.5 per cent and West Europe's to be down by 21 per cent. The non-Opec world is running out of ammunition in its ability to hold Opec at bay.

This, of course, is too simple a picture. The non-Opec world will find additional reserves when more intensive exploration and development is justified by higher oil prices. But because oil producers like Britain and Norway are doing such an excellent job at *feeding* the oil glut, real prices are expected to be stable for the next few years.

Chase seems only a gentle advance from 1986. Oil demand, it expects to grow at 1.4 per cent a year between 1985 and 1990, which is roughly in line with most other forecasts.

For Opec, these assumptions mean that the cartel will gradually be able to increase its output from 17.5m b/d in 1983—the existing agreed production ceiling—to 21.5m b/d in 1990, still well within the organisation's 32m b/d capacity. The 1990 figure will be slightly higher, Chase says, if oil prices turn out to be lower than it expects, because low prices will tend to abut in more high cost non-Opec production.

The bad news for Opec is that, assuming the Gulf war ends eventually and Iraq's production rises to former levels and that the Saudis are forced to concede some modest quota increases to Opec's financially more hard-pressed members, the organisation's main swing producer, Saudi Arabia, will be producing less oil in 1990 than it did in 1983—4.3m b/d against 4.9m b/d.

This, Chase suggests, could interest to lower prices in force the Saudis, in their own order to stimulate demand, further increasing pressure on oil industry finances and exploration budgets.

By 1990 *non-Opec oil production* will have been on a plateau for two or three years and will, assuming countries like Mexico continue to act as *de facto* members, be incapable of rapid expansion.

These trends, the Chase report concludes, "set the stage for greater increases in Opec production in the next decade, with corresponding greater increases in real crude prices." All Opec has to do is to hang together in the meantime.

World Oil and Gas: Chase Energy Economics; 1 Chase Manhattan Plaza 23rd floor, New York, NY 10081. $300 first copy; $100 additional.

Norway makes big offshore gas find

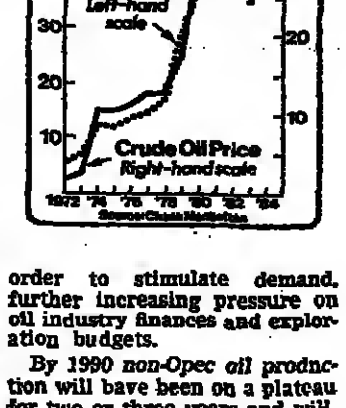
Statoil, Norway's state-owned oil company, has discovered a large gas field in Block 7121/7 of the Tromsoe-Flaket field in the northern Norwegian Sea. Development is unlikely, however, unless considerable state aid is given to the project, Statoil told Reuter in Oslo.

The discovery contains estimated recoverable reserves of 170bn cubic metres of gas, a little less than the Frigg field in the North Sea, he said. Production could begin by 1996 if the field is developed.

CHANGE IN OIL RESERVES (bn barrels)

1983	1990	% Decrease
26,731	20,719	22.5
6,188	4,986	19.4
15,740	12,436	21.0
80,095	73,452	8.3
63,585	60,191	5.3
19,516	17,641	9.6
354,837	335,808	5.4
566,484	525,233	7.3

Source: Chase Manhattan



Bonn and Paris signal end of cross-border checks

BY RUPERT CORNWELL IN BONN

WEST GERMANY and France will today formally sign their much trumpeted agreement to remove cross-frontier checks between the two countries by the end of 1986.

Under an accord initialled here this week by a working group of officials from Paris and Bonn, the existing system of controls—which in fact often amount to little more than a lazy wave-through by a customs officer—will be removed in three stages.

The first, to come into effect later this month, will involve only visual checks, with random spot controls in cases of doubt.

Drivers will qualify for such treatment by displaying in their windscreens a small green disc, embossed with a big white letter "E" for Europe, and issued by motoring associations.

The disc will signify that the car is licensed in the European Community, contains no items liable for duty, and carries only citizens of EEC member states.

As a second step, single joint frontier checkpoints will be brought in, with the ultimate goal of removing all formal controls in both personal and goods traffic by December 1986.

The West Germans, who see the scheme as a big symbolic gesture towards the creation of a less bureaucratic "citizens' Europe" are pressing for similar agreements with other EEC neighbours. Talks have been held in Aachen between West German and Belgian representatives to this end.

Less appealing, however, is the prospect that the floodgates may be opened to an even bigger traffic in terrorists, drugs and illegal immigrants from the Third World than is already the case.

● The protracted dispute in the West German print industry is now officially over. A comfortable 61 per cent majority of members of the IG Druck print union yesterday voted to accept the deal worked out by union and management last weekend. As in the seven-week engineering strike, this provides for a 38.5 hour working week.

Two jailed for stealing Swiss bank data

By John Wicks in Zurich

TWO FORMER employees of Union Bank of Switzerland have received prison sentences of three and four years respectively for stealing six computer tapes from the bank's Lausanne data centre and handing them over to the French customs authorities. The public prosecutor had called for sentences of only two years' imprisonment.

The defendants, named only as Jacques P. and Miguel C., were charged with theft, economic espionage and contravention of banking secrecy. Jacques P. fled to the French island of Martinique before sentence was pronounced.

Switzerland claimed that bribes had been offered to bank employees to provide the French authorities with details of Swiss bank accounts.

During the trial in Lausanne it was stated that Jacques P. had been approached by a customs officer on the French-Swiss border and offered a reward for information from the UBS data centre.

Subsequently, the bank denied that any secrets had actually been obtained from the tapes by the French authorities.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $420.00 per annum. Second class postage paid at New York NY and at additional mailing offices. POSTMASTER: send address changes to: FINANCIAL TIMES, 14 East 60th Street, New York NY 10022.

OVERSEAS NEWS

More than 100 bodies recovered from Taiwan mine

BY ROBERT KING IN TAIPEI

RESCUE WORKERS have recovered the bodies of more than 100 Taiwanese coal miners killed in the country's second major mining disaster in one month.

This week's mining disaster at the Meishan mine in Taiwan's largest coal-bearing district has further strengthened arguments against continuance of across-the-board subsidies of locally-produced coal.

The Meishan disaster came just days after rescue workers removed the last of 4 bodies from the Haishan mine in Taipei County.

The collapse of the Haishan mine had already led to debates about miners' safety and had brought Government threats to close any of Taiwan's 120-odd mines that fail to meet Government standards.

On Wednesday, rescue teams deep inside the Meishan mine raised the hopes of waiting relatives — and of most Taiwanese—when they reported by radio that most of the more than 120 miners were still alive.

That report may have been based on their finding all but one of the first group of miners rescued still alive.

But as rescuers descended deeper into the pit, they found fewer and fewer survivors: oxygen deprivation and carbon monoxide had taken its toll and at latest count, only 20 miners out of more than 120 down in the pit have survived.

The fire started early on Tuesday afternoon and continued to flare up sporadically well into the evening. It trapped the miners in the pit, consumed their air supply and produced the carbon monoxide which slowly killed many of them.

Rescue workers rush an unconscious miner to an ambulance after Taiwan's latest mine disaster

As a result of the Meishan disaster, the Government has formally shut down all of Taiwan's 120-odd coal mines pending safety inspections.

Taiwan's Prime Minister, Mr Yu Kuo-hwa, has also repeated his earlier threat to shut permanently any mines with substandard safety systems.

Just how effective these inspections and threats will be remains to be seen. Taiwan's pit-mines become increasingly costly to operate the deeper miners work, and the cost of installing improved safety equipment could prove too much for some already-stretched mine-owners.

Taiwan's mines now continue to operate only because of Government subsidies. On average local coal is priced about 20 per cent higher per ton than imported coal.

Government enterprises such as Taiwan Power Corporation and China Steel Corporation have agreed to purchase local mines' output year after year at the higher price, to sustain them.

The Government reasons that the social costs of shutdowns—for instance, loss of mine owners' investments and displacement of workers—outweigh the monetary costs of the subsidies.

The Government also feels that having the mines operational guarantees Taiwan's supplies in case imports are cut off by war.

Even with the subsidies, local production has fallen steadily over the past six years from 3m tonnes in 1977 to about 2.24m last year.

Imports which filled 74 per cent of Taiwanese demand last year have in turn risen sharply from 890,000 tonnes in 1977 to about 6.3m tonnes last year.

A shift from fuel oil to coal by major utilities and industries in recent years accounts for the rise in demand which last year reached nearly 8.6m tonnes.

The U.S., Australia and Canada supply nearly all of Taiwan's coal imports.

Ciba-Geigy in drug marketing controversy

BY CARLA RAPOPORT IN LONDON

CIBA-GEIGY, the Swiss-based pharmaceutical company, has become embroiled in the growing controversy over marketing drugs in the Third World.

The issue centres on two advisory letters it sent earlier this year to doctors in Indonesia on the handling of drugs which have been either banned or severely restricted throughout Europe.

The first letter, sent in January, encouraged the continued use of two of Ciba-Geigy's anti-inflammatory drugs, oxyphenbutazone and phenylbutazone. These drugs are used for the treatment of rheumatism and arthritis.

The Swiss drug company said on Wednesday that the first letter had been drafted and sent by its Indonesian subsidiary before it had a chance to "formulate a worldwide policy" on the drugs.

These drugs are no longer licensed in many European countries because of reports of severe side-effects and deaths associated with their use in some countries.

Excerpts from the first letter were printed in a recent issue of The Lancet, a weekly UK medical journal. The letter cast doubt on the quality of evidence raised by medical experts in Europe in recent years against the two drugs. The letter cautioned that "the seed of fear should not be spread among ill people."

The company said on Wednesday, however, that subsequent correspondence was sent to Indonesian doctors, pharmacists and drug distributors. This correspondence, sent about a month after the first letter was posted, advised a limited use of the products and new wordings for their labelling.

"The first letter was not ill-advised at that time," said Ciba-Geigy. "To establish a worldwide policy takes a long time." The first letter, it said, was posted on January 17, while the second letters were sent between February 14 and 29.

Ciba-Geigy has said that only 1,000 deaths worldwide have been alleged to be associated with the use of the drugs since they were introduced more than 20 years ago.

The products have been under attack by various medical experts over the last few years.

The British health authorities recommended to withdraw oxyphenbutazone and severely restrict the use of phenylbutazone last March. The drug was subsequently withdrawn.

Mr Joe Collier, a clinical pharmacologist and editor of Drugs and Therapeutics Bulletin, said on Wednesday that the supplementary letters sent by the company would not be sufficient to undo the damage done by the initial letter.

Tough times ahead for whoever wins

Economics dominate the campaign, writes **David Lennon** from Tel Aviv, but it is not easy to woo voters when in truth all that can be offered is the promise of austerity.

ECONOMICS are dominating the Israeli election campaign. This is hardly surprising given that the country is suffering from 400 per cent inflation and a balance of payments deficit which at $4.8bn has reached a dangerous level.

The Israeli voters already know that no matter which party wins the July 23 election, harsh remedial measures will have to be implemented to cure the nation's economic ills.

But because they fear alienating the public this is the one issue on which the two major parties are avoiding specific declarations about their post election intentions.

After all, it cannot be easy to woo voters when in truth all that you can offer them for the immediate future is the promise of austerity.

Of course, the Israelis have already been acting to protect themselves against the bad times which they fully realise must lie ahead.

In the past few weeks there has been a spate of strikes to support demands for higher wages. The rush to buy dollars at almost any price sent the black market dollar soaring, and the shopping spree in June set new records for a single month's sales of houses, cars and other consumer durables.

No matter how frightening it may have appeared to outside observers, Israel's massive inflation was not a real problem for the individual while it remained below 200 per cent. Israel's unique system of linking virtually everything in the economy to the cost of living index rendered inflation almost harmless for those living within the system.

But, when inflation took a sharp turn upwards early this year, to reach the 400 per cent level, the protective indexation system proved inadequate. Quarterly payments of indexed wage hikes were insufficient in a situation where prices rose at 1 per cent a day.

This came on top of the collapse last October of the apparently gilt-edged shares of the big commercial banks. The shares lost half their value, wiping out sizeable portions of the average individual's savings in the process. The sudden failure of this supposedly safe shelter for assets in wild inflationary times really marked the beginning of the countdown for early elections.

Losing a substantial proportion of their life savings through the bank share collapse crystallised the growing feeling among many Israelis that the Government may be losing control of the economy. If it could not protect its citizens against the supposed terrors of hyperinflation, then perhaps it was time that the government was changed.

The ruling Likud's Finance Minister, the genial Mr Yigal Cohen-Orgad, promised that if returned to office, he will continue the policies, which he has been pursuing since taking over the Treasury last November. They were beginning to work, he says, but it will need more time for them to achieve their targets.

Already they have brought about an improvement in the balance of payments deficit, through increased exports and reduced imports. Inflation will also be brought down, though "this is not our main problem," he says.

Likud spokesmen rightly point out that during their seven years in office, the standard of living of the average Israeli has risen tremendously. They intimate that returning the Likud to power will ensure that these gains are preserved and may even be improved upon.

They warn that if Labour is elected it will impose austerity measures which will make life much tougher for the average citizen. The opposition, Likud says, may well induce a sizeable growth in unemployment, which the government has managed to keep down to the negligible level of about five per cent.

But this is somewhat disingenuous. Before the calling of early elections forced him to ease back, Mr Cohen-Orgad was beginning to implement an economic recovery programme which included eroding wages, lowering the standard of living, generating unemployment and indeed making life in general much tougher.

Just how serious are the problems? According to Mr Gad Yaacobi, the Labour Party's spokesman on economic affairs, seven years of Likud rule has produced: Inflation at 450 per cent compared to 28 per cent in 1977, a GNP which grew by only 11 per cent in seven years, while consumption rose 35 per cent, a balance of payments deficit which at $4.8bn has more than doubled, and, a gross foreign debt of $25bn compared to $9.5bn seven years ago.

"The hope for change lies in the fact that the developments were not caused by any external impact. All were the outcome of the misconceptions, false policies and frequent fluctuations which were the result of the Likud's political and economic fantasies," he says.

As examples of this he notes that "the Likud spent $2.5bn from the state budget on settlements in Judea and Samaria (the West Bank), and the Lebanon war cost the national economy another $3bn, directly and indirectly in lost production of people doing additional reserve duty."

If Labour heads the next coalition Mr Yaacobi says "We will cut government spending by $1bn in the first year." This will be done by saving $300m by withdrawing from Lebanon, $350m will be saved by cutting back on the construction of Jewish settlements on the West Bank, $100m in handouts to coalition partners will not be renewed. The remainder of the cuts will be achieved by curtailing administrative expenditures.

The sum Labour proposes cutting from the budget is identical to that already attempted by Mr Cohen-Orgad, only the priorities are different. Likud wants the cut to be made across the board with all government services being equally curtailed, while Labour wants to reduce spending on political projects which it opposes ideologically.

The two main parties are also advocates of a social contract between workers, employers and government to keep down wage, prices and taxes. Mr Yitzhak Shamir, the Prime Minister, said recently that if the trade unions do not agree to this voluntarily "they will be forced to co-operate." Because of its domination of the Histadrut, the unions' roof body, Labour believes this can be achieved voluntarily.

Mr Yaacobi is reluctant to go into details about just what will be demanded from the unions. This is hardly surprising as it emerges that Labour will ask the unions to forgo a wage increase and accept a decrease in the linkage of wages to the cost of living index.

Indeed this may well explain why few people appear to show much enthusiasm when contemplating what life will be like after this month's elections. Whatever it may mean politically, they know for sure that economically it means hard times lie ahead.

Libya's Foreign Minister visits Beirut

By Tony Walker in Beirut

LIBYA'S Foreign Minister visited Beirut for talks yesterday with Lebanese President Amin Gemayel despite death threats from an extreme extremist Shia Moslem group, the "Sadr Brigades."

The group on Wednesday claimed responsibility for a bomb blast which virtually destroyed Libya's embassy in the Lebanese capital.

Mr Abdul-Salam Treiki who came to Lebanon by way of Damascus was carrying a letter from Libya's ruler, Col Muanner Gadaffi. There were no details of what was in the message.

AMERICAN NEWS

Ferraro . . . tough, cool and ready to face the challenge

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

MS GERALDINE FERRARO likes to describe herself as a housewife from Queen's, the working district of New York that she has represented in the U.S. House of Representatives since 1978. In the streets and supermarkets of her neighbourhood, she is known as plain Mrs Zaccaro, her married name.

The days of such possibly disingenuous modesty are gone for ever. With her selection as Mr Walter Mondale's vice presidential running-mate yesterday, Ms Ferraro has decisively entered American history whether or not the Mondale-Ferraro ticket captures the White House in November.

From now on, one of the first tasks of Mr Mondale and the Democratic Party will be to try to quash the inevitable allegations that she has been chosen simply because she is a woman and that Mr Mondale has caved in to feminist pressure to break the two centuries old tradition of excluding women from the White House.

Ms Ferraro, a 48-year-old Roman Catholic, acknowledges that her sex is not entirely irrelevant. Earlier this month, she thanked the powerful national organisation for women for "making dreams that once seemed impossible a reelity for me." She has admitted that she would not have been considered for the vice presidency "if my name were Gerald Ferraro."

She studied at night for a law degree working as a school teacher and mother during the day

What is certain is that Ms Ferraro will now come under intense national scrutiny—not only for her politics and personality, but also, less fairly, for her dresses and hairdos—as she seeks to establish that her qualifications for the post as just as good as any man's. On past showing, she will meet that challenge with toughness, coolness and ambition.

Ms Ferraro was born on August 26 1935. Her father was en Italian immigrant shopowner, who died when she was eight. She has kept her maiden name, she says, out of respect for her widowed mother, who took a job as a garment worker to help support her.

The young Ms Ferraro sold handkerchiefs in Bloomingdale's the famous New York department store, to work her way through college. She later studied at night for her law degree, working as a school teacher and a mother-of-three by day. After a spell in private practice, she worked in the tough New York city criminal court system as an assistant district attorney. The first head of the Special Victims Bureau, she dealt with sordid and distressing cases involving sexual assaults, crimes against the elderly, family violence and child abuse.

A colleague of the time recalls that Ms Feraro was "deliberate, and didn't in any way demonstrate emotion." Her husband, John Zaccaro, a prosperous New York real estate developer, says that she found the experience debilitating both for herself and the family.

Ms Ferraro entered Congress in 1978 after winning a difficult Democratic primary as what she called a "small c" conservative Democrat—a description she has since dropped in favour of "moderate." Her congressional district, the fictional home of Archie Bunker, the rough American television equivalent of Britain's Alf Garnett, is conservative and tends to vote Republican in national elections.

In Congress, she quickly caught the eye of Mr Tip O'Neill, the powerful House speaker, who was one of the first party leaders to endorse her for the Vice-Presidential nomination this year.

He helped her to win a seat on the influential House Budget Committee, where, she says: "Ronald Reagan has forced me to become an expert on the budget." She is also secretary of the House Democratic Caucus and a member of the Democratic Steering Committee, making her a prominent member of the House leadership.

In recent weeks, Ms Ferraro has distinguished herself by skilfully chairing the committee that negotiated the draft election platform for next week's party convention in San Francisco — an unenviable task that required both tact and discipline.

Only in the last two or three weeks has her support in the party started to become really widespread

She won unanimous praise from the often fractious participants and completed the job a day early — by dint of threatening an 8.30 am Sunday meeting. "That's what I do to my children," she said.

If Ms Ferraro has political weaknesses, they are her lack of experience at state governor or U.S. Senate level, traditionally considered the path to national office, and scant familiarity with foreign policy issues. Trying to make up for that with a major foreign policy speech in San Francisco on Wednesday, she disturbed some liberals in her audience by stating bluntly that in a Gulf emergency "we would move in by land or sea."

It has been during the last two or three weeks, however, that her support within the party has become widespread.

"Energetic and vivacious" is how Ms Pat Schroeder, the Colorado congresswoman who was once also mentioned as a possible vice-presidential candidate, described her yesterday.

Asked earlier this month why she sought the vice presidency, Ms Ferraro replied that she was a good campaigner, with experience in the law courts, in Congress, and in 25 years as a wife and mother.

If she does not know the full facts on an issue, she explains, she consults the experts, weighs their views and "makes good judgments." "I think I'm intelligent," she says.

Walter Mondale with Geraldine Ferraro

Case against De Lorean 'has failed miserably'

BY LOUISE KEHOE IN SAN FRANCISCO

DEFENCE lawyers for Mr John De Lorean argued yesterday for the acquittal of the former car maker on the grounds that the prosecution had "failed miserably" to prove that he was guilty of cocaine trafficking charges.

In a motion filed on Wednesday after prosecution evidence was completed Mr De Lorean's lawyers asked the Los Angeles federal judge, Judge Takasugi, to dismiss the charges against Mr De Lorean.

The lawyers said that FBI and Drug Enforcement Administration agents showed "an abysmal lack of concern" in the conduct of the undercover investigation that snared Mr De Lorean.

"The government evidence failed miserably to demonstrate any intent on Mr De Lorean's part to either possess or distribute narcotics," said the defence lawyers.

"Of the three key government witnesses—two undercover agents and a government informant—all have admitted improprieties in the conduct of the investigation, the defence argued.

Lawyers said: "All have changed their testimony while on the stand and all have been impeached by their prior testimony on critical issues."

During the week trial, defence lawyers have extracted admissions from prosecution witnesses that they: suggested a drug deal to Mr De Lorean; failed to follow government guidelines for undercover investigations; destroyed critical notes and recordings during the investigation; and failed to record several telephone conversations with Mr De Lorean in which he claims to have been threatened.

Brazil quietly abandons its wage controls

Andrew Whitley reports from Rio de Janeiro

WAGE CONTROLS—only eight months ago regarded by the International Monetary Fund and Western creditors alike as essential for the resumption of lending to Brazil—are being quietly abandoned.

"It's the market which regulates salaries," Sr Akihido Ikeda, a senior planning ministry official said, this week, in a clear admission of defeat for the Government in its efforts to restrict average wage rises to 87 per cent of the inflation index.

Sr Luis Eulalio De Bueno Vidigal Filho, president of the powerful Sao Paulo industries' Federation, FIESP, was more blunt. "Robin Hood policies don't work anywhere in the world. Nothing is gained by taking from the middle class to repass to those on lower incomes."

As far as the FIESP president is concerned Decree Law 2065—the wage legislation pushed through reluctant congress in November is dead.

Private industry has been ignoring the strictures of the law, especially as far as higher salary earners are concerned. Shopfloor workers, notably in the vehicleand steel industries, have also won additional increases after strikes.

In effect, those companies which could afford to give rises above the level set by Decree Law 2065 have been doing so—and the government has turned a blind eye.

But what has brought the issue out into the open, and made a mockery of this key item of legislation, has been a successful campaign by state company bosses to wring additional increases out of the Figueiredo Government for their top staff.

The real purpose of the IMF-inspired wage legislation had been to make deep cuts in the bloated public sector wage bill, and thus help reduce the public sector deficit.

The first big holes in the wage law were punched by the heavyweight state agencies: Petrobras, the national oil company; Cia Vale do Rio Doce, the minerals company; and the central bank. All argued that they were losing their best employees to the private sector, where comparable salaries are at least double those they were authorised to pay.

Since then the trickle has become a flood. The Government is thus in a dilemma. While it recognises that its controls have broken, and its legislation is dead, it cannot be seen internationally to be abandoning what was, after all, meant to be the centrepiece of its austerity programme.

On Tuesday Sr Ernane Galveas, Finance Minister, signalled publicly that the Government wants to get out of its hole. He suggested that as private business was always pressing for greater freedom on wages and prices, perhaps the industrialists would like to come up with a formal proposal to amend the wage law.

Without any formal announcement, price controls have, meanwhile, been either substantially amended or dropped in recent weeks. Public sector increases, in such areas as steel and electricity, will in future be made half-yearly rather than quarterly.

More significantly, the approved rise will be based on projections of future inflation, rather than compensation for past inflation—a policy which officials now believe is simply feeding the demand. In effect, Sr Antonio Delfim Netto, Brazil's economic overlord, is returning to an approach abandoned in 1981.

As for the private sector, the consumer durables businesses—hard hit by lower demand—are to be allowed almost total freedom to alter their prices at will.

A long list of manufactured goods still remains subject to the weakened authority of the government's price controls board.

Salvador releases nine leading trade unionists

BY ROBERT GRAHAM

THE El Salvador Government has released nine leading figures in the trade union movement held prisoner since January. The move is unexpected and is a further sign of President Jose Napoleon Duarte's cautious attempts to bring about national reconciliation in the wake of his election six weeks ago.

The trade unionists are all members of the Revolutionary Workers Federation (FSR) who were arrested in connection with strike action called at the beginning of the year to break a three-year wage freeze. They were released last Friday but the news was only confirmed yesterday.

Although several trade unions are linked to the umbrella leftist guerrilla organisation, FDR/FMLN, they have sought to act independently. In the run up to the presidential elections the unions tried to capitalise on government weakness by launching a series of strikes both in the public and private sector to obtain wage concessions.

Tass accuses U.S. of lie

MOSCOW—The official Soviet news agency Tass condemned as an "unpardonable lie" yesterday a Washington suggestion that Moscow was behind death threats sent to Third World atheletes planning to compete at the Los Angeles Olympics.

Without directly blaming Moscow, the State Department said yesterday that letters purportedly from the racist Ku Klux Klan bore all the hallmarks of a "disinformation campaign"—a term the United States uses to describe covert Soviet attempts to deceive world opinion.

WORLD TRADE NEWS

Land Rovers to oust Jeeps in Swiss Army

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

LAND ROVER, BL's subsidiary, has won the hard-fought battle between the world's light four-wheel-drive vehicle producers to replace the Swiss Army's Jeeps over the next few years.

The Swiss defence department said yesterday that, subject to Swiss parliamentary approval in December, the army had contracted to buy 600 Land Rover vehicles next year for SwFr 35m (about £11.3m). And over the following 10 years a further 300 would be bought each year.

Land Rover faced initial competition from 19 light four-wheel-drive vehicle producers, including those in the U.S. and Japan, in the initial appraisals made by the Swiss Army after it decided to replace its American-made Willys Jeeps.

The huge interest was generated because the Swiss contract was one of the biggest likely to become available in the next few years.

The final choice was between Land Rover's new 110 model, with automatic transmission, and the "G" waggon produced by Steyr-Daimler-Puch of Austria.

The Swiss defence department said that Land Rover had been awarded the contract mainly because of a 15 per cent price difference between the 110 and the "G" waggon.

The 110 was launched in February last year and represented the first major change to the Land Rover vehicle since it was first introduced.

The company had not expected to win any military or government sales for another year or so but, apart from the Swiss order, Land Rover is also to supply "a Far East army" with 1,100 of the 110s.

Last year Land Rover delivered vehicles to 36 armies around the world.

Generous offset work key to Belgian vehicle order

BY PAUL CHEESERIGHT IN BRUSSELS

BELGIAN COMPANIES will receive from Canadian sources BFr 6bn (£78.9m) worth of business following the decision of the Brussels Government to buy from Bombardier of Montreal 2,500 Iltis four-wheeled drive vehicles. The business is worth a minimum of three times the face value of the vehicle contract.

Although the contract is not large in the pantheon of military logistics, the size of the compensation—the offset—for the cootract Bombardier has been prepared to arrange emphasises the lengths suppliers will go to win orders.

Arranging the offset is doubly complicated in Belgium because of the need to arrange the requisite spread between the three disputatious regions which make up the country. The offset is divided on the basis of 52.64 per cent for Dutch-speaking Flanders, 40.43 per cent for French-speaking Wallonia and 6.93 per cent for Brussels.

It was the nature of the offset agreements that led the Belgian Government to choose Bombardier over Daimler-Benz, its nearest rival for the contract. This meant overruling Mr Freddy Vreven, the Defence Minister, who accepted the politically inevitable at the beginning of the week.

The contract strengthens Bombardier as a supplier of military four-wheel-drive vehicles. The Iltis was developed by Volkswagen for the German Army. Bombardier bought worldwide manufacturing and distribution rights in 1982. It supplies Iltis to the Canadian forces.

The Iltis for the Belgian Army will be assembled in a Brussels Volkswagen plant; this is part of the direct offset. The total value of this section of the offset, which is related specifically to the production of vehicles, is worth BFr 385.7m (£5m).

The greater value of the offset—BFr 5.6bn—Bombardier disclosed yesterday, is in indirect contracts. The main beneficiaries in Belgium are:

- BN, the transport equipment manufacturer, will become a sub-contractor to Bombardier, which is providing metro carriages for Portland, Oregon, with business worth BFr 1.37bn;
- GLS, the Belgian subsidiary of Krauss Maffei of Germany, makes tanks and will do BFr 1bn business with the Canadian Government;
- Fabrique Nationale, the arms manufacturer, will supply weapons to Canada valued at BFr 891m;
- Volkswagen interests in Belgium receive BFr 900m of business.

But the matter does not stop there. The Iltis will be assembled in Belgium for sale to third countries by joint Belgo-Canadian promotion.

The two countries ere to work together on fibre optics. Glaverbel, the Belgian glassmaker now owned by Asahi of Japan, will get help with its marketing in Canada, while the Canadian Government has agreed to assist Sabena, the Belgian airline, obtain landing rights for Toronto.

Algeria seeks arbitration over Spanish LNG row

BY FRANCIS GHILES

ALGERIA IS seeking the arbitration of the Paris-based International Chamber of Commerce over its long-standing dispute about the terms of its contract to sell liquefied natural gas (LNG) to Spain.

Algeria's state oil and gas company, Sonatrach, is angry over what it feels is the current stalemate in negotiations with Spain's state gas company, Enagas.

Enagas would like the volume of gas it contracted to lift over 20 years, from 1975, reduced by two-thirds. Since that date however, the Spanish compeny has never bonoured the take-or-pay clause. Although Algerian exports of LNG to Spain have increased gradually since 1980, to reach 1.4bn cubic metres in the year to April 1984, today, such shipments still amount to less than one-third of the initial volume contracted for by Enagas.

Sooatrach also wants to apply, retrospectively, to Enagas, the price paid for its gas by other European customers—$3.95 per million British Thermal Units (Btu). Spain only pays $2.70.

Spain imported 8.9 per cent more Algerian gas in the 12 months to the end of May 1984 than in the year which ended in May 1983—its imports of Libyan gas declined by 1 per cent over the same period.

The acrimooious dispute over the gas contract is expected to cost Spain about half its exports of goods and services to Algeria which, last year, reached just over $1bn. Furthermore the Algerian authorities have suspended a contract under which the Spanish were to build a dam at Mexana and are not awarding any new contracts to Spanish companies for the time being.

- Bouygues of France has agreed in principle to replace Technigaz, a French company now under bankruptcy proceedings, as the builder of an LNG terminal for Korea Gas Corporation, the state-run South Korean company said yesterday, AP-DJ report from Seoul.

Hong Kong port expansion contract won

By David Dodwell in Hong Kong

HONG KONG International Terminal, the subsidiary of trading group Hutchison Whampoa which handles about 40 per cent of the container traffic passing through Hong Kong, has awarded a HK$290m (£28m) cootract for the extension of Kwaichung container port to Aoki Corporation, a Japanese construction company.

The project, which involves extensive land reclamation, will add 15 hectares to the port's container marshalling area, and raise its container handling capacity from the present 1.4m 20 ft equivalent units (Teus) per year to 2.4m Teus.

Hong Kong is the world's third largest container port, behind Rotterdam and New York. The contract, unveiled yesterday, represents the first of two phases of expansion planned for this decade. It is expected to be completed within 22 months, Mr John Meredith, managing director of Hong Kong International Terminal, said.

Westland in Australian venture to build trainer

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A NEW company, AAC-Westland, has been formed in the UK by the Westland group and the Australian Aircraft Consortium to manage the promotion, sales and manufacture of the Australian A-20 two-seat basic military training aircraft in the UK and Europe.

The A-20 is one of the four short-listed contenders for the pending RAF basic trainer order, which is expected to be decided by the end of this year. The RAF wants up to about 150 aircraft, worth over £200m.

The other contenders are the Brazilian Embraer Tucano, supported by Short Brothers of Belfast; the Swiss Pilatus PC-9, supported by British Aerospace; and the UK-based Firecracker from Firecracker Aircraft.

The chairman of AAC-Westland is Mr J. N. Davenport, of Australia, with other Australian directors being Mr D. J. Dalziel, Mr J. R. C. Pascoe, and Mr B. S. Price.

Westland's representatives on the board will be Sir Basil Blackwell, Sir John Treacher, Mr A. V. N. Reed and Mr M. Jones.

The Australian Aircraft Consortium itself was formed some time ago to develop the initial A-10 basic trainer for the Royal Australian Air Force, from which the A-20 has been derived to bid for the RAF deal.

The AAC comprises the Commonwealth Aircraft Corporation of Melbourne; the Government Aircraft Factories, of Fishermen's Bend, Victoria; and Hawker de Havilland Australia, of Bankstown, New South Wales.

The new ACC-Westland Company will be responsible for responding to the UK Ministry of Defence's call for tenders for the RAF's basic trainer order.

If the A-20 wins the competition, the new company will manage the contract, involving joint production of the aircraft in the UK and Australia, with final assembly and flight test in the UK, and on-going support in RAF service. The A-20 will also include a wide range of UK-built equipment.

FINANCIAL TIMES SURVEY

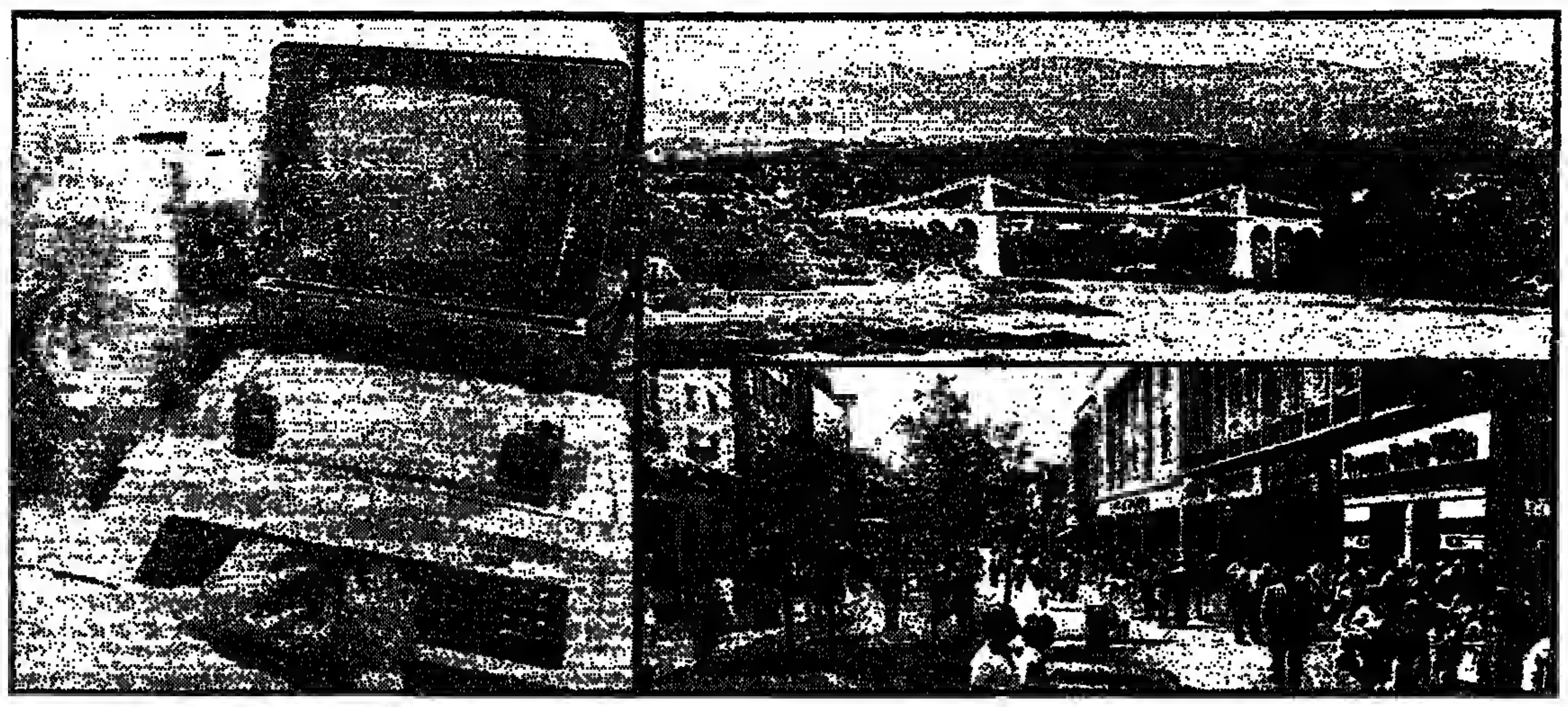
Fridav July 13 1984

WALES

The economy is at last on the mend with company profitability, output and exports all rising. However, the public sector still has a key role to play in improving the industrial infrastructure and tackling the high level of unemployment

Starting out on the road to recovery

By ROBIN REEVES, Welsh Correspondent



Left: compnter graphies at Cardiff University Industry Centre. Top righ t: the Menai Bridge in Gwynedd. Bottom right: Swansea shopping centre

THE WELSH economy seems to be on the road to recovery. Increased business confidence, rising demand, sharpy increased output, a marked fall in the number of manufacturers working below capacity, greater export optimism, and increased capital investment were the hallmarks of the latest Industrial Trends Survey from the Wales CBI. It adds up to the most optimistic survey produced by the CBI since it first started collating Welsh results on a separate basis three years ago.

With one or two exceptions, sectors of the economy which e year ago were beginning to wonder if the recession would ever end are now experiencing rising output and profitability; exporters are doing particularly well.

For all that, the recovery in Wales is relative. According to the Wales CBI's survey, it is running behind that of Britain as a whole, though the gap is narrowing. Furthermore, while the steep rise in unemployment Wales has experienced since 1979 appears to have halted, the prospects of significantly denting a jobless rate of some 16 per cent or 160,000, of whom one-third are under 25 and one-third have been out of work for over a year, are not promising.

Indeed ,the evidence suggests that unless there is a radical departure in the Government's economic strategy, with greater emphasis upon the creation of jobs, Welsh unemployment is likely to move still higher.

In the forefront of thinking is the fate of the Welsh coal mining industry. Last year, the South Wales coal field's operating deficit totalled £100m, or half the total net losses of the National Coal Board.

This was despite e steady trickle of closures which has seen the number of South Wales miners shrink from 30,000 to around 21,000 over the past five years and the number of South Wales pits from 36 to 28.

Barring an outright victory by the miners in their present strike, and therefore the provision of substantial additional capital resources for the industry, South Wales is likely to figure prominently in any moves to reduce the British coal industry's unprofitable, high cost capacity and manpower.

The miners' strike has also highlighted the fact that the difficulties of Wales' other traditional industry, steel, are also by no means definitely over, despite the enormous jobs losses and reductions in capacity over the past five years and the dramatic improvement in its competitiveness. The European Commission is still demanding a further cut in the British Steel Corporation's steel capacity of 500,000 tonnes and the choice is being portrayed as one between Ravenscraig in Scotland and Llanwern in South Wales.

Prior to the miners' strike, Llanwern looked the safer of the two, not least because in the financial year which ended in April, it was the one major UK strip steel plant to make e profit. Now the outlook is more cloudy. In any case, until such time as the European steel industry has been satisfactorily restructured and returned to general profitability, uncertainty will remain.

Efficiency

The pressure on both these traditional, and still major, Welsh industries stems not only from the Government's drive for greater efficiency in the nationalised sector but also its continued determination to curb public expenditure, which has significant implications for other parts of the Welsh economy.

Public administration and services were an important source of new employment opportunities during the 1970s. But the tightening squeeze on local authority and health service spending, combined with technological change, is choking off employment growth in this sector.

In short, the Government is looking largely to the private sector to provide the new job opportunities and to reduce Welsh unemployment to less unacceptable levels. The question is whether the Welsh economy is equipped to meet this challenge.

The Welsh manufacturing economy was built np in the post second world war era by e combination of Keynesian demand management and a regime of generous regional development grant incentives designed to persuade growth industries to expand out of areas of relative labour scarcity into those like Wales where it was relatively plentiful.

But the net result of policy changes over the past decade by both Labour and Conservative Governments has been to shift Welsh industry from a position where it enjoyed a relatively protected position within e more buoyant British economy to one in which it is far more exposed to the cold winds of international industrial competition.

The process now looks set to be taken a stage further by the Government's plans for further curbing regional development expenditure, details of which are due to be announced in the autumn.

Many companies in Wales have invested to meet the challenge of living in this far harsher economic climate and are poised to do very well. But as a recent report from the Commons Welsh Affairs Select Committee identified, the Welsh economy overall is still characterised by a low proportion of managerial and professional personnel, a small-sized business services sector, an unfavourable rate of new product innovation and e high proportion of branch factories. It is hardly an ideal structure for generating a large expansion of new employment opportunities in the private sector.

Encouragement

The Government has tacitly recognised this in a number of directions. Far from curbing the activities of the Welsh Development Agency—a product of Labour'a 1970s industrial interventionism — the agency these days is being given every encouragement to increase the birthrate of new Welsh enterprises and the expansion of existing ones by adopting an ever more ambitious merchant banking role.

The official machinery for attracting inward investment to Wales, with the aim of edding considerably to the 200 overseas companies with Welsh plants, was radically revamped last year to create e new body —Winvest.

More recent still is the go-ahead given to "Wintech," another new publicly-financed body under the wing of the WDA, designed to make Wales "technology friendly." Its task is to persuade and help existing Welsh industry to adopt new technology as rapidly as possible, so as to maintain its competitiveness, and to encourage the growth of new, high technology, enterprises.

The real estate required for such growth, is also being created, but again mainly through public sector initiative. Cwmbran Development Corporation is behind the construction of a specialist complex for fledgling new technology ventures, nearing completion on its highly successful Llantarnam Industrial Park. Clywd County Council and the North East Wales Institute were the instigators of a Business Centre for Advanced Technology on Deeside Industrial Park, North Wales.

The WDA is also working on plans for other science parks and facilities for attracting more new technology jobs, though in a number of instances their go-ahead is dependent upon funding being forthcoming from the private sector. This is notably true of a scheme to attach a science park to Swansea University.

But public finance and initiative, in the form of Urban Development Graots, is prominent in Wales' two major inner city redevelopment schemes which are transforming Swansea's South Dock into a marina and housing and leisure complex and are due to do the same for an important slice of Cardiff's dockland.

On a more modest scale, local authorities, as much as private industry, have been instrumental in. building small business accommodation to house ventures which will hopefully produce the growth companies of tomorrow, and in developing a network of local enterprise agencies across Wales.

Regeneration

However, the extent to which local authorities can make an important contribution to economic regeneration is becoming increasingly circumscribed by the Government's objective of clamping down further on local authority spending.

Therein lies the worry. There are limits to how far the Government can meet its policy objective of curbing public expenditure without also weakening the contribution to economic recovery expected of the private sector. In Wales in particular, the two are closely interlinked, and there are signs Mr Nicholas Edwards, the Secretary of State for Wales, is running out of room to maneouvre.

Last December he was forced to introduce a four month moratorium on all capital spending. This delayed e wide range of capital projects, including strategic road improvements in North and South Wales essential for Wales' industrial attractiveness. As it is, the CBI, though it supports the Government's general strategy, remains deeply unhappy over the level of investment in infrastructure and last month called for a donbling of expenditure.

Cuts in other directions have been even more drastic. A successful housing repairs grants scheme which showed signs of eating into Wales' exceptionally large inheritance of substandard housing was suspended in mid stream. The WDA's budget for derelict land clearance this year has been halved.

Looming on the horizon are the changes in regional policy due to be announced this eutumn. Any dilution in Wales' benefits could well discourage capital investment by existing Welsh companies and weaken the drive to attract new ones.

Both are essential if the private sector is to make the contribution to Wales' economic regeneration expected of it.

Concern over threat to aid

Regional policy

IT WAS last December that the Government announced in a White Paper, that it was pressing ahead with its manifesto commitment to reshape regional development policy. Although views were invited from interested parties, it was made clear at the outset that the Government is determined to move away from automatic grants to a more selective approach, reduce the amount of taxpayers money spent on regional incentives, while, at the same time, extend at least some of the benefits of regional aid to the West Midlands.

Unhappiness in Wales over the impending changes is widespread. A three-month investigation by the Commons Welsh Affairs Select Committee into the subject this spring triggered a universally hostile response to the prospect of any dilution in Wales' regional aid benefits.

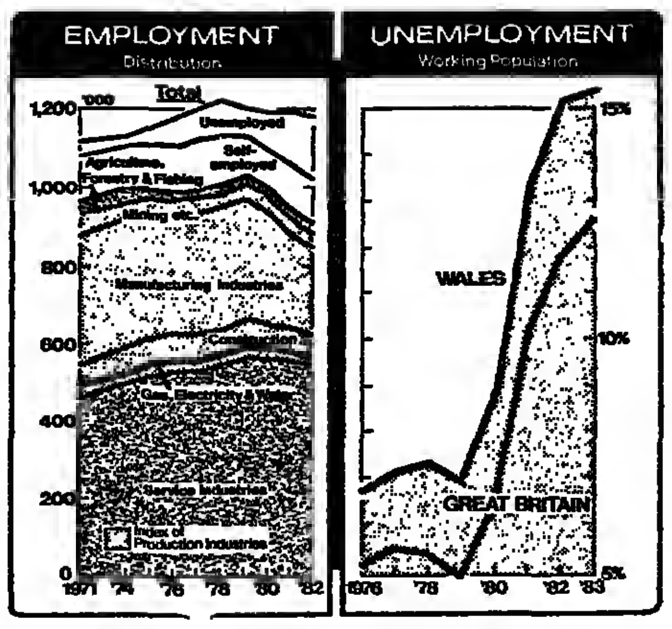
The CBI's Wales chairman told the committee bluntly that the present level of regional aid was absolutely essential to maintain investment in new jobs and that any cutback could nip Wales' recovery in the bud. A spokesman for the Welsh District Councils went so far as to describe the White Paper as the most ill-informed piece of policy making ever to hit Wales. The local authorities were particularly incensed at the White Paper's lack of acknowledgement of their efforts in the industrial field.

The upshot was a unanimous report from the Conservative-dominated committee urging the Government to rethink its position. Far from accepting that there should be a diminution in the number of areas qualifying for regional aid, in order to concentrate resources upon areas of greatest need, the committee called for the whole of Wales to be redesignated as an assisted area—the position prior to 1979.

It argued that the present patchwork is confusing to industrialists and also noted that Britain designates a smaller proportion of its area for industrial assistance than do most members of the European Economic Community — an important source of grants and loans towards Welsh infrastructure and industrial projects.

Confined ability

The committee also called for any savings made by phasing out automatic regional development grants to be used to introduce more generous selective financial assistance through the Welsh Office, and to provide additional resources for the Welsh Development Agency, its rural cousin, Mid Wales Development, and local enterprise agencies: as well as the increased aid requirements required by an extended assisted area map.



The committee's arguments ware all the more persuasive, give the White Paper's emphasis on the need for more indigenous growth to tackle regional economic problems rather than relying upon industrial mobility and transfer of jobs.

Compared with other regions with high unemployment, Wales' ability to take advantage of economic recovery is still constrained by a low proportion of managerial and professional personnel in the overall force, the small size of its business services sector, an unfavourable rate of product innovation and the high proportion of branch factories.

The reasons for this are complex but clearly an important factor has been that in Wales' traditional industries—steel, coal and tinplate—the trend for the best part of a century, has been towards concentration into fewer and larger units requiring large amounts of capital.

This has been unhelpful in creating an economic environment in which it is commonplace for a middle manager and foreman to go off and start an offshoot business on their own, broadening the local economic base.

Faced with this analysis, the select committee commended to the Government a more comprehensive approach towards assessing regional needs put forward by one of its advisors, Mr Ross MacKay, Director of the Institute of Economic Research, at University College, Bangor.

Rather than basing assisted area status solely upon average unemployment rates over a period, it suggested that the Government should use a broader measure of need, taking account also of activity rates, long-term unemployment, the level of redundancies, percentage decline in employment, and what is described as "indigenous potential."

Indigenous

Indigenous potential would be assessed via another index, based upon industrial structure, education, occupational mix savings, home ownership and disposable income. Using this broader measure, Wales emerges as the worst off region in Britain, followed by the North, the North West, and then Scotland.

It remains to be seen how the Government responds. The new regional aid regime is due to be introduced in the autumn and will run in parallel with the existing arrangements for 12 months.

It could well include innovations which will be distinctly helpful in tackling some of the Welsh economy's weaknesses.

But the worry remains that, overall, the new regional policy package will significantly weaken Wales' ability to rebuild its economy after the ravages of the recession.

Robin Reeves

A hint of high adventure

Welsh Development Agency

WHEN THE BBC's satirical programme, "Not the Nine O'Clock News," did its "Failed in Wales" take-off of the Welsh Development Agency's "Made in Wales" advertising campaign it was much too close for comfort. The chuckles could be heard even in the Welsh valleys.

The WDA has been badly burnt by some of its investments, the most publicised being gelatin producer P. Leiner, which went bust taking £1m of WDA money with it. Equally galling was the overnight disappearance of fire-engine manufacturer Merryweather to which it had extended rent free factory accommodation to go with the £1.5m in aid provided by the Welsh Office.

But for 18 months or so the agency has been undergoing radical change, although not all of it yet apparent to the outsider.

A full time job

It began with the appointment in late 1982 of former BOC managing director John Williams as chairman. Initially this was a part time appointment but with the death of the then chief executive and retirement of the chief administrative officer it quickly became a full time job.

Like Mr Williams, his new chief executive has extensive private sector experience. Mr David Waterstone, appointed to the job last October, is a former BSC man most recently as chairman of Redpath Dorman Long which he left in 1981 to run his own property development company in his native Scotland.

"I've been given a broad brief," says Mr Waterstone, "and that is to improve the Welsh economy. It is not my responsibility to create jobs. I wouldn't have taken the job if it was, because that leads to the wrong decisions. Creating jobs is the role of the grant-giving bodies. The only criterion for the WDA should be to attract viable investments."

Having established these principles Mr Waterhouse says he wants "to get on with the job."

He has begun with the agency itself. When he arrived, he says, there were far too many "self-imposed" rules. "We shouldn't fetter ourselves with chains so I've loosened them."

His staff, he claims, are now behaving "much more like businessmen than civil servants." He has, he says, introduced a straight management line and appointed eight regional managers. There were regional offices before but he has stepped up the number and given them greater autonomy and, be emphasise, responsibility.

Regional managers are now allowed to make their own decisions on investments of up to £25,000. The additional responsibility, Mr Waterhouse argues, "keeps them on their toes and is producing results." The quicker decision making and closer involvement with the local community, is, it is true, already being appreciated in the field, although there is still a feeling that the WDA still has a long way to go.

In return for the added responsibilities Mr Waterhouse wants to be able to reward his staff "by results" but acknowledges that he will have to tread carefully since it will mean turning the established civil service pay structure on end.

In the past the WDA emphasis has been on industrial property development. In conjunction with the steel closures programme the WDA has undertaken one of the biggest industrial building programmes ever, amounting to some 22m sq ft.

Some 13 to 14 per cent of WDA's buildings are unlet. Mr Waterhouse considers this to be too high a ratio but, acknowledging that the agency will always have to undertake some advanced or speculative building, he would not expect it to be entirely eliminated. He hopes, however, to bring it down to 8-10 per cent.

In future the building programme will be more selective. The WDA will build "where the private sector can't or won't." He singles out tourism projects as ventures which the country needs but which are often difficult to finance. There will be more "bespoke" buildings for industrial needs. He is already discussing joint projects in partnership with the private sector, particularly in the high technology field where the WDA has the customers looking for accommodation.

He sees the WDA as the catalyst for attracting private sector funds using "a little agency money" to encourage private investment. Very much in line with the present government's thinking, he says: "We want to suck in as much private sector funds as we can. We want them to take some of the risks."

Lighter burden

He was amazed, he comments, "as a Scot coming to Wales" at the lack of venture capital sources. To help plug this gap the WDA has extended its financial services by establishing the Hafren Investment Finance. This provides venture capital of between £10,000 and £100,000 for higher risk projects either in the form of equity as ordinary or preference shares or as unsecured loans for which it charges 2 per cent above base rate. This concept is being extended with City participation to back projects requiring venture capital of up to £500,000.

The agency has also introduced a variable interest loan scheme to help new business with unpredictable growth rates or those emerging from recession or difficult trading conditions. By linking the interest payable to a percentage ranging from 10 to 20 per cent of sales or net profits the cost of servicing the loan is less burdensome as it rises in line with the company's growth in turnover or profits.

Mr David Waterstone: brief is to improve Welsh economy

To illustrate the success of the WDA's new initiatives in venture capital Mr Waterhouse points to the £7m financial package which it put together to lure the floppy disk manufacturer, Parrot Corporation, to Cwmbran.

Higher risks inevitably mean higher chance of failure and the WDA does not have too happy a record. (In its last financial year 14 companies failed representing 7 per cent of WDA's investment clients). Its past failures, the WDA's new chief executive attributes, to its previous "hands off" approach to management.

High risks, he says, require a high level of "after care."

In line with this change in policy it has set up its Executive Secondment (Exsec) scheme whereby senior executives are seconded for a period of up to six months from major companies such as ICI, BP, *Shell and Control Data* to provide expertise for smaller companies with up to 150 employees. Their services ere free, apart from a small charge for travelling costs.

Also in keeping with its more adventuresome policy Mr Waterstone says that the WDA will be actively encouraging enterprise zones. In the past he claims the WDA was somewhat "antagonistic" towards the zones, seeing them as a "dissipation of effort." He feels differently. "We should," he says, "tap that energy, not put a cork in it."

The WDA's wind of change is not confined to its initiatives on the venture capital front. A new offshoot, Wales Investment Location (Winvest) has been set up to combine the past activities of the Welsh Development Corporation, which for 25 years had been responsible for promoting Wales overseas, with the inward investment activities of both the WDA and Welsh Office.

Unlike its predecessor the WDC Winvest can offer potential investors a complete package, including grants from the Welsh Office and premises from the WDA. It claims to have attracted promises to set up in Wales from 20 companies offering some 2,500 new jobs.

Commercial reality

Emphasising Wales' desire to stimulate investment in high technology investment the WDA has recently established Wintech to promote technology exchange between industry and university and to translate new ideas and products into commercial reality.

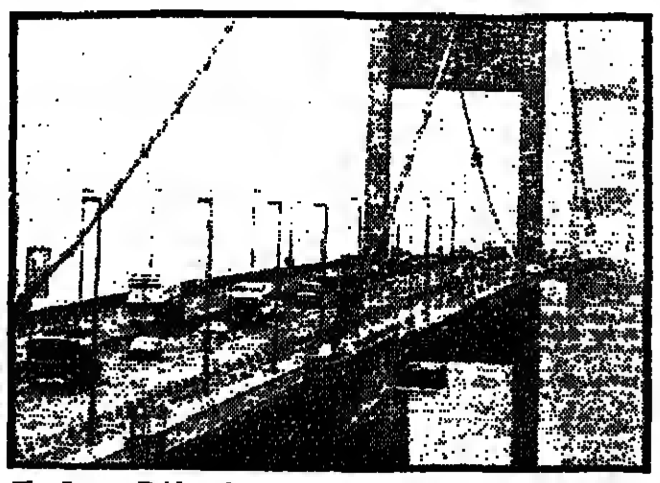
The WDA's claimed rejuvenation is being given the benefit of the doubt by those involved in regenerating Welsh industry at grass roots level. In the end it will be judged by results.

Mr Waterstone claims that during the last financial year, 25 per cent of all inward investment to the UK came to Wales — a better achievement than for any other region. He says it is still too early to make projections for the current year but hints that there are some "very, very interesting projects, some of them quite big" under negotiation which could come to fruition in the next two to three months.

Margaret Hughes

Taking on a heavier load

Severn Bridge



The Severn Bridge, South Wales' industrial lifeline: concern over adequacy.

"PUBLIC PERCEPTION of the problem is more important than the problem itself." Mr David Waterstone, chief executive of the Welsh Development Agency, was commenting on the recent controversy which has surrounded the condition of the Severn suspension bridge.

Certainly, the chances of running into a traffic jam on the M4 are far greater at the Chiswick flyover into London than at the Severn Bridge which, since it opened in 1966 at a cost of £8m, has developed into South Wales's industrial lifeline. But Mr Waterstone admits that at least two inward investment projects have been lost to South Wales because of the adverse publicity.

Concern over the bridge's adequacy has been growing for years, as traffic growth has outstripped original forecasts and special repair and maintenance measures have become an almost annual event.

Concern turned into alarm last autumn with the leaking of a report by consultant engineers, *Mott, Hay and Anderson*, which suggested that under certain freak conditions the bridge was in danger of collapsing. It triggered a crescendo of demands not only for the implementation of a major programme of strengthening work, then under consideration, but also for the building of a second Severn crossing.

The Government has now responded to the pressure. Some £33m is being spent over the next four years to enable the bridge to carry heavier loads. In the meantime, traffic restrictions have been introduced on the crossing to prevent a large build-up of heavy vehicles on the bridge at any one time, thereby keeping loadings well within safety limits.

Considerable efforts are being made to minimise any traffic disruption, by carrying out the work during off peak hours and ensuring that any complete closures of the bridge are "few and brief" and, where possible during the night. Advance warning of all restrictions are being posted as far back as Swindon to give the drivers the option of diverting through Gloucester.

But a continuing irritation is that bridge users are likely to be left meeting the cost of the repairs. A public inquiry it to open shortly into government proposals for raising the bridge tolls to meet the £33m bill. It will be surprising if the case being argued against the increases and, indeed, that the tolls should be scrapped—it is the only toll bridge on the UK motorway network—are successful.

On the demands for a second crossing, the Government has not yet given a firm commitment. But Mr Nicholas Ridley, the Transport Secretary, has agreed to commission a £1m feasibility study. This will examine the possibility of building either a second bridge, or a bored or immersed tunnel close to the existing crossing. This study is due to be completed within two years but the generally projected cost of a second crossing is generally put at around £100m for a bridge or £120m or a tunnel.

There is a possible third option — the building of a mini-tidal barrage a short distance below the present bridge which could also carry a road-deck. This idea has been submitted to the Department of Energy by Wimpey Construction and consultant engineers, W. S. Atkins, primarily as a power generation project.

Furthermore, as a result of government departmental demarcation, it will not form part of the second crossing feasibility investigation. But the Transport Department has lef the door slightly ajar for this solution by saying that it other studies demonstrate that it could be worthwhile considering a combined scheme, then its study may be extended.

The cost of the Wimpey-Atkins mini-barrage plus road-deck is estimated at some £900m at current prices. In power terms it would be capable of generating 1,050 Mw at a cost of £365 per megawatt hour. But for the moment, official attention is concentrated upon the far more ambitious Severn barrage scheme proposed between Lavernock Point, near Penarth, to Weston Supermare in Somerset.

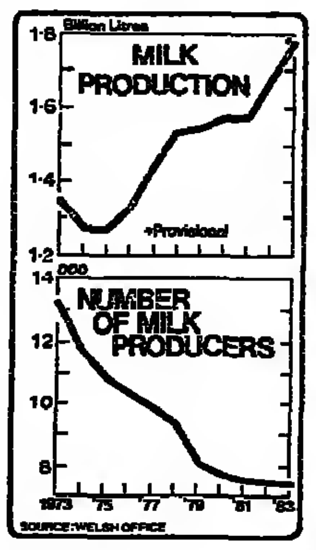
This project is being investigated by the Severn Tidal Power Group, a consortium of five major engineering companies, who have secured Government backing for a £500,000 study which is due to be completed this autumn. They are working out if such a barrage could be built and run by private interests, starting construction in 1991 with a view to opening the barrage in the year 2000.

Again, the prime purpose of this barrage would be power generation. The initial investigation undertaken by a committee headed by Sir Hermann Bondi, the former government Chief Scientist, recommended that it should be built in the national interest. They estimated the cost at £6bn, but stressed it would be capable of meeting 6 per cent of UK electricity demand.

But this barrage too could carry a road and, it is being argued in some quarters, that it would serve adequately as e second Severn traffic crossing; adding only a few miles to journeys between West Wales and South-east England as well as shortening the travel distance between Wales and the South-west.

Robin Reeves

Why dairy farmers are up in arms



AVERAGE dairy farm income last yeer was 65 per cent of the level five years ago, lowland sheep and cattle 45 per cent, hill sheep and cettle 80 per cent and cereals 160 per cent.

Together with the special treatment extended to the Irish dairy industry, these figures explain in a nutshell, the widespread demonstration by Welsh producers against this year's drastic EEC measures aimed at curbing milk surpluses, culminating in the "seige of Llangadog" when Mr Michael Jopling, the Minister of Agriculture, was prevented leeving e West Wales village at the centre of the Welsh dairy industry for three hours by a farmers' blockade.

Agriculture

Milk production accounts for some 46 per cent of Welsh agricultural output, followed by beef (17 per cent) and sheep (16 per cent). It is the most important activity in an industry which makes a 4 per cent contribution to the Welsh GNP and which is responsible for 5.5 per cent of Welsh employment.

Over the past decade the number of Welsh milk producers has fallen dramatically, from 13,172 in 1973 to 7,428 last year. But significantly the number of milking cows in Wales has increased from 371,000 to 377,000 over the same period. In other words, there has been a concentration into larger more efficient units, particularly over the past two years. Between 1981 and 1983, the amount of milk sold off Welsh farms rose by 13.4 per cent.

The deal requires dairy farmers to cut back milk production by 9 per cent of their 1983 output, with no compensatory increase in the milk price. Indeed, there will be additional deductions.

Together with inflation in the cost of inputs of 6-7 per cent, the new dairy regime will, in the words of a Farmers' Union of Wales report "have a devastating effect on dairy farm incomes during the coming year. Unlike their Continental counterparts, many of whom have jobs outside farming, dairy farmers in Wales are in the main fulltime and are totally dependent on farm income for their livelihood."

The Government has set aside 2¼ per cent of the milk quota to help hardship cases. These will include dairy farmers hit by natural disasters, disease or theft, and those caught in the middle of major capital expenditure programmes. Claims are being invited by July and they will be dealt with by specially-creeted tribunals.

The Government is also hoping to help smaller producers by redistributing e further 2½ per cent of the quotas to those with 40 cows or under from dairy farmers taking up the "Outgoers Scheme"—an offer of £650 a cow compensation, payable over five years, to producers egreeing to give up dairying.

It remains to be seen how many producers take advantage of the scheme. The difficulty in many parts of Wales is that scope for alternetive enterprises which could give a comparable income is limited.

That said, just prior to the infamous Brussels milk deal, the EEC did agree to a long pressed-for extension of less fevoured area status from 57 per cent to 80 per cent of the land area of Weles.

The newly-qualifying areas cover a large part of the relatively poor quality land used for milk in South West Wales, notably North Carmathen and the Teifi valley. Farms in these areas will now qualify for higher rates of capital grant towards new investments, and from January 1, next year, for headage payments on cattle and sheep at half the rate in the original mountain and hill farm areas.

In short, while the profitability of milk is being reduced, the profitability of other livestock enterprises in these arees is being increased; though there will also be small incentive to remain in milk in the form of ¼ per cent rebate on the coresponsibility levy on the output of the first 15 cows.

Welsh farmers ere also well aware thet EEC regimes guaranteeing sheep and beef cattle prices are by no means secure. The variable premium scheme for sheep and cattle, which have served Welsh producers well in recent years both suffer from the disadvantage that they are special to the UK, and therefore under continual pressure from other Common Market agriculture ministers.

But should this year's upheaval on the economics of Welsh milk production lead to a sharp exodus of producers and marked decline in output it will have serious knock-on effects for the milk processing industry — 80 redundancies were announced among workers et four Welsh creameries this week as a direct result of the new EEC milk curbs.

R.R.

Expansion gathers pace

WALES'S BID to carve out a significant stake in the hurgeonlg electronics industry has take a significant step forward over the past year.

Notable new arrivals include the Japanese Sherp Corporation which is building a video recorder manufacturing facility at Wrexham, the U.S. Comdial Communications Corporation which is establishing an automated plant near Cardiff to produce advanced telecommunications equipment; and the Parrot Corporation which is building Britain's first fully-integrated floppy disc manufacturing plant at Cwmhran Gwent.

There have also been a range of smaller developments and some significant expansions by existing, well-established companies.

The Welsh Office Industry Department calculates that there are now 100 companies in the electronics sector in Weles employing about 14,000 people.

But equally, recent events have underlined that sections of the electronics industry are e high risk business and the growth and expansion are by no means guaranteed. The recent news thet Dragon Data has been driven into receivership was particularly salutory.

Spawned in 1982 as a major diversification by the toy group, Mettoy, the company's Dragon 32 home computer quickly outstripped its ailing parent's ability to finance its expansion and a majority stake in the company was purchased by a consortium which include Prutech and the Welsh Development Agency.

There is still a hope that the business can be rescued. The receiver is talking to a number of potential purchasers among them the Tandy Corporation, of the U.S. But there are doubts whether the manufacturing facility at Kenfig Hill, near Port Talbot which employs 150, will survive.

Another instance is the future direction of Wales's most famous electronics company. Inmos, six years after it was launched as e major state-backed venture, Inmos is now in profit, but the Government is determined to dispose of the 75 per cent share in the company held by the British Technology Group.

Inmos has plans to build a second fecility, costing £20m, close to its Newport plant to assemble microchips. But further expansion depends upon the company securing fresh cash resources and this cannot be done until a buyer (or buyers) approved of by the Government comes forward.

Against these uncertainties, another home-grown electronics group, AB Electronics Products, has been going from strength to strength. At the last count six month profits had soared by more than 150 per cent to £2.4m while sales were up by 80 per cent to £29.7m.

Electronics

The company is expanding on a broad front developing manufacturing components and assemblies for computers, automotive electronics, defence, telecommunications and cable and satellite television.

A major new computer manufacturing complex is being created at Rogerstone, Gwent, to handle major assembly contracts secured from IBM and Acorn, which is due to create 350 jobs.

A new factory is also being built at Cardiff to produce the automotive electronic products for which the company has a major contract from Jaguar, while further north, at Pontypridd, work is well advanced on the group's new Wolsey TV signal distribution equipment facility. Well ewere of the nature of the electronics business, the group is determined not to allow the computer side to dominate its fortunes.

Another headline-catching development hes been the decision by the Parrot Corporation to build Britain's first fully integrated floppy disc manufacturing plant at Cwmhran. The £7m project by e number of former senior personnel of the Chicago-based Wabush Corporation is believed to be one of the largest-ever venture capital start-ups in Europe.

The financial package required was put together by the Welsh Development Agency and involves major City institutional funds. The company stressed that it added up to an offer they could not refuse — a more attractive package than they could have raised in the U.S., the originally-planned location for the venture.

This deal tended to overshadow an even more substantial expansion a few miles away by Control Data which established an important presence in Wales 10 years ago. This year it is investing some £14m to expand production not only on floppy discs, but also computer tape and berd discs.

Not surprisingly, much of the electronics growth is in South Wales. The M4 provides a natural extension for the electronics growth in the area between London and Bristol.

One company, planning to provide an essential service for micro-chip design teams along the whole M4 corridor and beyond, is Align-Rite Corporation which is establishing a fecility at Bridgend to produce photo-masks used in the manufacture of chips.

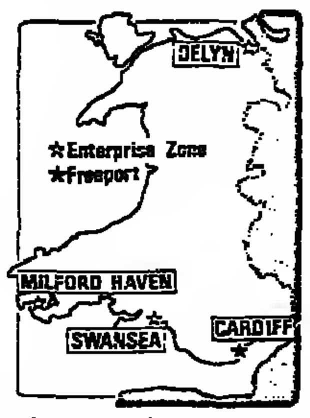
Cifer has just taken advantage of the grant aid package available in Wales to establish a manufacturing unit for its range of business computers at Cwmhran.

But significant developments are also taking place in North Wales. Apart from Sharp's major investment at Wrexham, Pilkington Fibre-Optic Technologies is expending fast to meet the demand for short haul fibre-optic cable and its own brand of electronics packages for use in date communications systems. The company has just moved into substantially larger premises.

According to a recent survey by a research organisation Electronics Location File, more companies are now inclined to opt for Wales rather than Scotland to establish a new manufacturing base.

R.R.

Customs' stance 'jeopardising investment'



The listed Pheasantry restaurant in Chelsea's Kings Road and Cardiff's docklands would appear to have nothing in common. Yet there is a link. For the company which undertook the recent reconstruction and refurbishment of the Pheasantry—the Bristol-based Pearce Group—is to be the developer and operator of Wales' first freeport, adjacent Roath Docks.

Cardiff is one of six sites chosen by the Government in February to become Britain's first freeports.

Although the selection was made on political and regional grounds the inclusion of Cardiff took most people by surprise. If Wales were to get one at all, Swansea was the obvious front runner. Indeed the application for Cardiff was low key compared with the detailed proposals submitted by Swansea and only one consortium, headed by Pearce Group, bothered to apply.

The consortium included several Welsh companies—quantity surveyors L. E. Symonds and two architectural partnerships—Lawray and Dale Kennedy. Consultant engineers are Ove Arup and there are two letting agents in the group, Debenham Tewson and Chinnocks will be responsible for securing overseas clients and the locally-based, Fletcher Morgan, for UK companies. Another key member is Eurofi which will advise clients on the various grants and financial incentives available in the Cardiff area.

Cardiff is the only freeport which is to be developed by a wholly private group. Elsewhere either the port or airport authority or local council is involved, sometimes with private partners.

The Pearce consortium as such has now been disbanded and replaced by a newly registered company, Cardiff Freeport Limited. The initial share capital of £100,000 is wholly owned by the Pearce Group but the intention is that part of the equity will be taken up by the other partners in the project. It will be an expanded group to include, for instance, whoever comes in to operate the bonded warehouse as well as finance houses.

The project is expected to involve an investment of between £11m and £12m and further funds will be raised from banks and other financial institutions. The Government has made clear that freeports will have to be self-financing. There will be none of the incentives available to enterprise zones but individual companies will be eligible for the same development grants and loans from the European Coal and Steel Community available to anyone else setting up in the Cardiff area.

One of the problems threatening investment, however, is the short duration of the licence under which all freeports will operate—five years. All six developers are lobbying the Treasury to get this changed so that the land at least is permanently designated a freezone.

Cardiff freeport

Tremorfa foreshore close by Roath Docks is on the reclaimed land of the former East Moors steel plant. The land, which is fully serviced and landscaped, is owned by the Welsh Development Agency (WDA) but Cardiff Freeport is negotiating a price for acquiring it. There are some 40 acres of which 32 are usable. Cardiff Freeport also has the option on another 40 acres.

Cardiff freeport is the only one with a nearby port and airport facility and a heliport onsite. It is also within easy access of both the M4 and M50. The operator plans to build "bespoke" units which will be constructed on a pre-let basis in keeping with demand. The first units are expected to be ready in about a year.

For the time being, however, Cardiff like the other proposed freeports is in a state of limbo awaiting government legislation to establish them as legal entities. The whole process of establishing freeports in Britain has been tortuous from the start with much resistance from such key bodies as the Customs and Excise authorities. The Treasury's attitude has also been lukewarm and even now freeports are being undertaken on an essentially experimental basis.

The developers want the legislation to actually deliver the advantages inherent in the freeport concept. But, according to Mr Kenith Carroll project manager of Cardiff Freeport, the Customs authorities are proving too inflexible in their interpretation of the proposed regulations. There is, he argues, a real danger that Customs will "kill the freeport concept before it gets off the ground."

He points out that the ideal freeport company importing all its raw materials, processing them in the freezone and then exporting all its output are fairly thin on the ground. Most freeports nowadays comprise a mixture of exporters and those selling to the domestic market. To the latter group the deferral of VAT payments is as important as the delayed payment of import duties.

This cash flow benefit will become all the more important from October 1 when VAT payments on imports will have to be paid within one month of becoming due instead of the present three months. It should thus be an additional advantage to freezone operation but Customs insist that the supply of goods between companies within the freeport should be subject to VAT even if the eventual user is an exporter. Mr Carroll says this interpretation is discouraging potential clients, particularly electronic companies.

Until such issues are resolved freeport developers like Mr Carroll are unable to do any real marketing. "How can we when we're not sure yet what we're promoting? At present Customs seems to be changing the rules as we go along."

Margaret Hughes

ROBIN REEVES PROFILES A SCHEME TO BREED ENTREPRENEURS

Bright idea for inventors

IT HAS been a long-standing complaint that large numbers of British inventions and innovations end up being best exploited by Britain's industrial competitors. A recent study by the Japanese Government of the sources of post-war industrial growth, showed 52 per cent were invented in Britain, 22 per cent in the U.S. and only 6 per cent in Japan. But, needless to say, this is not reflected in the three countries' respective economic performances.

Cardiff University Industry Centre has launched an initiative aimed at tackling the problem. CUIC was launched seven years ago, to act as a link between the university and industry and to transfer ideas from the lab to the commercial world. It now wants to establish a £1m Centre for Innovation Studies, to equip students and even schoolchildren with the entrepreneurial thinking and skills required to develop new products and services commercially.

Study courses designed by CUIC draw on its own experience of launching new products: on experiments in teaching innovation at three Glamorgan schools carried out with financial backing from BP and the Department of Trade and Industry: and on discussions in the U.S. with the Massachusetts Institute of Technology.

The centre plans to approach financial institutions, large companies and charities for funding to introduce the teaching of innovation on a permanent basis both in the university and at Welsh schools.

The proposed courses are divided into three parts. The first will be business studies to equip students with a basic understanding of how a business operates, how to build a business strategy and how to present it to a bank manager.

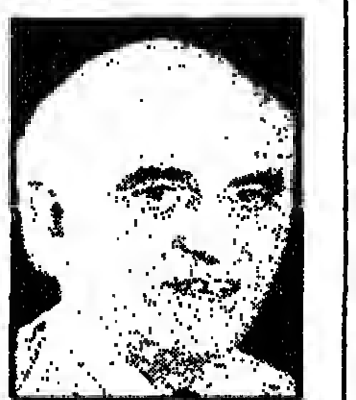
The second part will include studies of how the opportunities for innovation of new products and services arise, there being basically four route problems which can be solved by a new product or servce; existing products or services which can be done better; changes in social needs or legislation; and extension of existing business.

The third part will teach students lateral thinking—to come up with large quantities of ideas for new products and services which are then appraised for quality.

Mr Clive Jones, manager of CUIC, says the centre's experience shows clearly that the entrepreneurial spirit is very much alive and well. But most students are in the position of good athletes who have never been given any athletics training to fulfil their potential. The courses run by the Centre for Innovation Studies will aim to put this right. The centre will also carry out research into the problems of innovation.

Pilot courses are to be launched this autumn at the university and two South Wales schools for students willing to pursue the subject in between their normal studies. But substantially more resources are required to put the scheme on a permanent footing.

CUIC is not alone in seeing the need for such an initiative. The launching of Wintech under the umbrella of the Welsh Development Agency, to make Wales more technology friendly and encourage the growth of new technology companies, reflects similar thinking. There are also moves afoot in Swansea to establish a school of innovation. A charity, the Alexandrian Foundation, has been founded for the purpose.



Mr Clive Jones, CUIC's manager: "entrepreneurial spirit is alive and well"

Tough test for Milford Haven

AN INTERNATIONAL banker used to running Barclays branches in such far flung places as Nigeria and the Bahamas. A barrister who has spent much of his working life in Singapore and still includes Prime Minister Lee Kuan Yew among his closest friends. Not quite the sort of people you'd expect to run into in the sleepy market town of Haverfordwest in Pembrokesbire.

Yet two such gentlemen—Mr Peter Davies (a Welsh speaker) and Mr John Lloyd—run Pembrokeshire Business Initiative whose task, among others, it is to get Wales' newest enterprise zone off the ground at nearby Milford Haven.

Launched officially last month by Secretary of State for Wales Nicholas Edwards, Milford Haven is Wales' third enterprise zone. Because it traverses two district councils—Preseli on the north shore of the haven and South Pembrokeshire on the south shore—management of the zone has been delegated under a three-year contract to PBI, an enterprise agency set up only last year. The other two enterprise zones — Delyn in Flint and Swansea—are run by their respective local authorities.

Milford Haven differs from the other two enterprise zones in being also more fragmented. It comprises 330 acres on the two shores in 13 different sites. Less of the land is owned by the local authorities than elsewhere—some 42 per cent is in a variety of private hands. Much of it is former dockland including the former Royal Naval dockyard. There are existing facilities on several of the sites, others are green field and some land has still to be reclaimed.

Some 50 companies are already operating within the zone in facilities which existed before it was designated. But unlike Swansea, Milford Haven does not have the same scope for relocating existing local industries within the zone—they are virtually non existent. The challenge, therefore, will be in luring new companies to the area.

Several of the sites have deep water access to one of the world's finst natural harbours the advantage of facilities and established when Milford Haven became a major oil port. A daily ferry runs between Rosslare n Ireland and Pembroke Dock with ro-ro freight services. Here is a freight rail terminal at Milford Haven and this could be upgraded.

Air and road communications are less good. The airport at nearby Withybush can take only light aircraft and once off the M4, south of Carmarthen, it is still very much a case of winding Welsh roads although improvement are underway.

But none of this dampens the enthusiasm of Messrs Davies and Lloyd who are only to well aware of the need for investment and jobs in an area where there are cases of third generation unemployment. Despite the closure of the Esso refinery and the general running down of the oil industry there is still optimism that the area can be rejuvenated.

Some hopes are pinned on a resurgence of Celtic Sea oil exploration. More realistic aspirations, shared by the men at the PBI, is the area's undoubted tourist potential. Indeed the first new project to be undertaken in the enterprise zone will be a marina by Crest Nicholson which is expected to stimulate further tourism and leisure development.

Although it is still early days yet Mr Lloyd says he has received firm inquiries from some 30 companies (and not one-man bands).

Among the proposed projects which he and Mr Davies are fairly confident will come to fruition are two based on local raw materials.

Enterprise zones

One is for the production of "fetta" cheese, whose backers have reached a pricing deal with the Milk Marketing Board and have persuaded some local farmers to switch to ewes' milk production.

Another ventures envisages selling some 2m litres a day of bottled water to the Middle East.

On a grander scale Seat, the Spanish state-owned motor company, which is planning to sell 30,000 cars next year in Britain, is being wooed. Lonrho has just won the franchise for importing the cars and the Milford Haven Enterprise Zone hopes it will use its ro-ro facilities and rail links.

Were the Seat plan to succeed the zone would be pulling off a coup worthy of its Swansea rival, generally acknowledged to be the most successful—as well as the first — enterprise zone in Britain.

Enthusiasm and energy is in no short supply in Swansea where responsibility for the zone is shared by the local authority's planning department, under Mr Maurice Howell, and the Swansea Centre for Trade and Industry, under Mr Roger Warren-Evans. The big names which Swansea has attracted include Renault and Ford dealerships as well as Marks and Spencer and Tesco. There is a good mixture of manufacturing, retailing and servicing.

There are now 119 companies operating within the zone. Ninety nine of these moved there after it became a designated enterprise zone in June 1981. Of these 63 are new ventures, 37 new start ups and the rest new branches. Half of the new branches are offshoots of companies not previously operating in the area with 31 per cent of them coming from outside Wales.

Of the 36 companies which have relocated to the zone, the majority—30—were previously in the Swansea area. Only two companies have come from outside Wales. Investment to date is £14.3m, of which £11.5m is private. Another £4.7m is expected to be committed shortly, bringing the total to over £19m.

Having got off to a dynamic start Swansea's problem is to maintain the momentum. It is by far the largest of Wales' three enterprise zones and as the oldest is becoming aware that its incentives are a declining asset.

The rates and tax holidays are available for 10 years only from the day of designation of the whole site so that Swansea only has seven years left on most of its zone.

While Swansea may be worrying about getting its site filled up the Delyn enterprise zone has just the opposite problem. It can't keep pace with demand.

Situated on the banks of the River Dee this 293-acre zone, which includes three redundant Courtauld's textile mills, ran out of available units almost as soon as it was designated in July of last year. The Welsh Development Agency (WDA) has a few empty units on the Manor Park site whilst a private development by David McLean's of 13,000 sqnare feet, due for completion shortly, should relieve some of the burden.

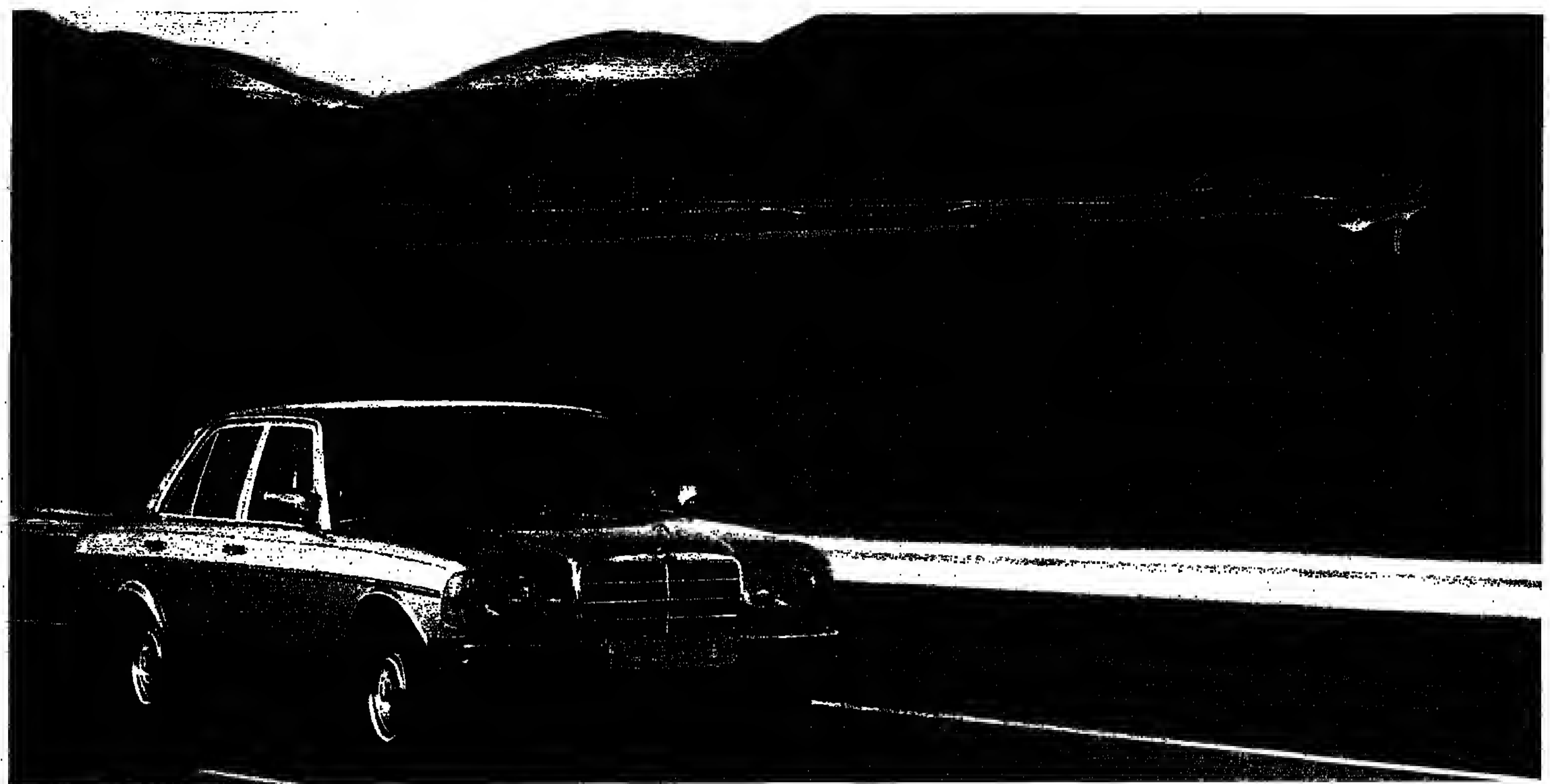
Delyn was a victim of last year's moratorium on local authority spending which held up the massive demolition and clearance work it has to undertake to get its zone into shape. It has committed some £4m of which about a third was urban development grants, a third from the WDA and the rest its own local authority funds.

Mr Michael Gibson, the Delyn enterprise zone officer says that the development is entering a "crucial" stage. Any hold up in funds could delay the project for at least a year, which is indeed crucial, given the 10 year designation limit.

So far Delyn has attracted 10 new companies to bring the total operating in the zone to 68 and created 211 new jobs bringing the total employment to 1,144.

M.H.

It costs us a million pounds a day to stay so far ahead.



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UK NEWS

Dock strike talks open after ruling backs union

BY OUR LABOUR AND INDUSTRIAL STAFF

THE TWO sides in the national docks strike are to meet today in London for fresn talks in an attempt to settle the dispute. Since the strike – called by the Transport and General Worker s Union – began on Tuesday, the movement of freight at most of Britain's major ports has stopped.

The talks were offered by the oational dock employers after a condemnation yesterday by the National Dock Labour Board of Britisb Steel, the state-owned corporation, for using non-registered labour to unload iron ore at the east coast port of Immingham.

Registered dockers at the port bad refused to bandle the ore in support of the striking coal miners. British Steel's action led to the strike.

The board said that British Steel had been wrong to use noo-registered labour. It would be consulting its lawyers to determine whether there bad been a breach of the national docks labour scheme, which guaranteed jobs at the port to registered meo.

The National Association of Port Employers immediately issued a statemeot saying it was willing to honour its obligations under the labour code. Its executive committee said: "It has never been part of the employers' policy to act outside the terms of the scheme."

Most of Britain's large ports are included in the registered labour scheme and the strike call has been effective at these. Pickets bave been sent to other ports – not part of the scheme – in an attempt to make the strike more effective. At Felixtowe harbour, Britain's privately-owned major port for cootainer traffic which bas continued to work, a mass meeting has been called for today.

At Dover, another large non-registered port, there was a buge build-up yesterday as freigbt traffic was diverted to it. But a spokesman for the port said last nigbt: "We are accepting only Dover dock traffic." Diverted lorry drivers were being advised that their vehicles could not be taken on the Dover ferries.

Holiday ferries have oot been directly affected and the TGWU has said that special consideratioo might be given but that there would be no blanket dispensation. Trouble might arise if attempts were made to load freight on to passenger ferries.

Mineworkers' unioo leaders yesterday endorsed the 17-week-old coal strike as official

A rapid settlement to the dispute at talks with the National Coal Board (NCB) which resume next week seems remote. A confereoce of Natiooal Unioo of Mineworkers' (NUM) delegates ended yesterday at Sheffield, Yorkshire, in a militant mood. The conference voted unanimously for an uncompromising resolution to oppose all pit closures other than on grounds of coal exhaustion.

The inevitable strike, Page 18

Max Wilkinson finds analysts asking whether Thatcher has lost her touch

Sterling returns to a familiar old crisis

SUDDENLY AMERICANS are looking at their newspapers and ringing up their London brokers to find out whether Britain is sinking back into the bad old days of the 1970s.

An old fashioned sterling crisis, the pound rescued by a rise in interest rates of nearly 3 percentage points, the miners and dockers on strike and the mooey supply causing more than a twinge of anxiety. Has Maggie lost her touch? they want to know.

Mr Stephen Lewis, monetary analyst for the broker Phillips and Drew, said this was the basic question behind a stream of telephone calls which he bas been taking from the U.S. in the last few days.

"They want to know if the UK is slipping back into the old groove and if all the efforts of Mrs Thatcher over the last few years are coming to oothing."

On this view it is not so much a change of sentiment about the strength of the UK economy as a sudden rush of uncertainty which has cootributed to the weakness of sterling during the last two weeks.

This weakness appeared yesterday to have been countered by the sharp rise in interest rates, with clearing bank base rates up 2½ percentage points since Friday to 12 per cent, their highest for two years.

However, the markets remained extremely oervous, with equity prices tumbling steeply and yields on Government bonds rising.

The question which was being asked on Friday when base rates rose by ½ percentage poiots to 10 per cent was being asked again yesterday. "Will it be enough?"

The answer, with UK ioterest rates now close to those in the U.S. and about 6 percentage points higher than West German rates, was generally that the peak must have been reached unless there are upsets.

The factors which could upset the uneasy equilibrium between UK interest rates and sterling are evidence that the combined strength of the dockers and the miners might seriously disrupt Britain's balance of trade, or barder evidence that U.S. interest rates will resume their upward path.

The extent to which bad news on either front would increase pressure on sterling and UK interest rates is hard to predict. It clear that Wednesday's 2 percentage points rise in base rates already represents a degree of market pessimism.

Moreover, it is difficult for the markets to guess what might happen while causes of the recent rise in UK interest rates remain obscure.

Two weeks ago the Bank of England issued a statemeot that it saw no domestic reason for a rise in UK leoding rates. In spite of Tuesday's figures sbowing a 2 per cent surge in June for sterling M3, the broad measure of the money supply, the authorities' view yesterday seemed to be broadly unchanged.

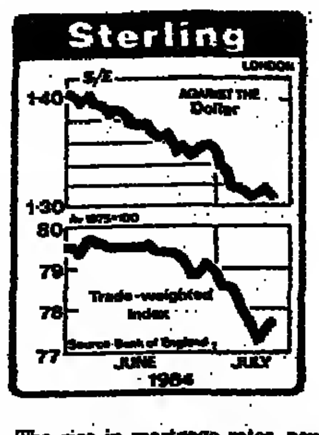
Although the Bank of England endorsed the rises in interest rates, it made it clear that it was doing so reluctantly. In a television interview on Wednesday and in the House of Commons yesterday, Mr Nigel Lawsoo the Chancellor of the Exchequer, took pains to distance official policy from the rise.

The official line remains that the markets now determine interest rates, with the Bank of England exercising a major influence, although not the determining role.

Although this is politically a convenient line to take, few people in the market think that a clearing bank would raise its base lending rate without clearing the new figure first with the Bank of England and hence the Treasury.

The authorities' attitude, therefore, remains somewhat puzzling. Two weeks ago the Bank of England was sympathetic to the view that a moderate fall in sterling would be preferable to a rise in domestic interest rates, while the Treasury was rather more sharply concerned about the inflationary impact of a depreciating pound.

However, there were strong signals from Whitehall yesterday, that the Treasury did not want interest rates to rise as high as 12 per cent and would have countenanced at least some further fall in sterling if the markets bad permitted it.



The rise in mortgage rates, now expected to be 2¼ percentage points, will add about 0.6 per cent to the Retail Price Index by the end of the year. This might have, psychologically at least, a worse impact on inflation than the more delayed impact of a fall in sterling. According to Treasury estimates, a 5 per cent depreciation of sterling against its trade weighted basket of currencies adds about 1 per cent to prices after about a year.

BT will seek overseas bids for System X alternative

BY GUY DE JONQUIERES

BRITISH TELECOM (BT) plans to seek internatiooal bids to supply it with an alternative to System X, the British digital public telephone exchange made by Plessey and the General Electric Company, later this year.

It is expected to invite three or four leading telecommunications manufacturers to submit tenders for local exchanges, whicb will be adjudicated next spring. First equipment deliveries would be made in early to mid-1986.

BT bas not yet specified the precise size of the initial order, althougb it is seeking to place at least 10 per cent of its exchange purchases over the next few years with an alternative to System X.

At least part of the non-System X purchases will represent an expansion of existing procurement plans. These call for the installation of 900 System X local exchanges, or 2m lines, by the start of 1987, rising to 10m lines by 1990.

The invited bidders will be drawn from a list of six, whose systems BT is evaluating after examining a total of 19 different types of exchange.

The list includes Thorn-Ericssoo and Standard Telepbones and Cables (STC) of Britain, Canada's Northern Telecom, France's CIT Alcatel, West Germany's Siemens and TMC Major Systems, a UK subsidiary of the Dutch Philips group.

Thorn-Ericsson is offering the AXE system designed by its joint *owner, L.M. Ericsson of Sweden*; STC the System 12 excbange developed by ITT of the U.S., and TMC the No 5 ESS exchange developed by American Telephone and Telegrapb (AT&T) and marketed internationally by AT&T and Philips.

BT made clear some time ago that it wanted eventually to buy a *second type of exchange, to ensure* that System X's price and performance remained competitive. It had not been expected to act so quickly.

It is committed to buying System X for "the majority" of its public exchange needs until April next year. Procurement from GEC and Plessey was placed on a competitive tender basis 18 months ago, altbougb this has been used so far for only one round or orders for local System X exchanges.

BT is not the only European telecommunications administration to have decided to order more than one digital exchange system. It is the first in a major country, however, to seek bids from several international suppliers which do not already make large exchanges locally.

Competition for the contract is likely to be fierce. The successful bidder stands to win substantial further orders, and BT's seal of approval carries much international prestige.

Bus services will pass to private sector

By Hazel Duffy

THE GOVERNMENT is proposing to deregulate the bus industry throughout Britain and transfer it to the private sector.

The only exception will be London, wbere controls on the issuing of operating lieences will be retained for the time being. Legislation will be introduced at the earliest opportunity.

Local authorities will be free to seek competitive tenders for contracts to run "socially desirable" bus services which they wish to subsidise, but extra resources – up to £1m a year in England – will be available to help rural services.

Labour opposition MPs in the House of Commons yesterday predicted, that the proposals would deprive many rural areas of their bus transport.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
13	14	15	16	17	18	19

Opera and Ballet

VIENNA

The Vienna Chamber Opera perform alternately Johann Strauss' Wiener Blut and Mozart's La Finta Giardiniera daily (not Sundays) until August 14, at Schönbrunn Palace Theatre.

Johann's Strauss' Die Fledermaus conducted by Rudolf Bibl, at the Staatsoper. Monday and Wednesday.

F. Conti's David performed by the Ensemble Musiqva Antiqva conducted by Bernhard Klebel, at the University Church, Dr. Ignaz-Seipel-Platz. On Monday and Thursday. (34 06 99).

ITALY

Milan: Teatro alla Scala: Donizetti's Lucia di Lammermoor conducted by Giuseppe Patane, directed by Pier Luigi Pizzi and with costumes by Missoni. Luciana Serra, Nella Verri and Lorenzo Gaetani. Friday (80 91 26).

Macerata, Arena Sferisterio (20th opera season): La Bohème conducted by Jose Collado and directed by Ken Russell – with Cecilia Gasdia and Nazzareno Antinori. Friday (40 736).

Verona: Arena di Verona (62nd opera festival): Aida – with scenery and costumes based on those used in Cairo in 1913, the year in which the opera had its first performance in the Arena here (Friday). Also Tosca conducted by Daniel Oren, and directed by Sylvano Bussotti, sung by Shirley Verrett in the title role with Giacomo Aragall (Cavaradossi) and Giovanni Carroli (Scarpia) on Sunday (28 151).

Rome, (Rome Festival): In the Cortile del Collegio Romano Mozart's Marriage of Figaro conducted by Fritz Maraffi on Fri, Sat, Wed and Thurs (345 28 45).

Spoleto (27th two world's festival): Teatro Nuovo: Antonio Gades, dancing with his own company, in Carmen on Friday, Sat (mat) and Sunday evening. Also Ariadne aof Naxos (sung in German) conducted by Christian Badea and directed by Giulo Chazalettes (Sat) and on Sunday at 2.00 pm. The Last Savage – a new opera by the founder ol the festival, Gian Carlo Menotti: Baldo Podic conducts the Spoleto Festival Orchestra and the Westminster Choir. At the Teatro Caio Melisso: Francesco Cavalli's l'Ormindo with the Chamber Opera Theatre of New York on Saturday. Festival Box Offices: Rome 678 49 61 and Spoleto: 39 209.

PARIS

Paris Opéra: Tannhäuser, Werther and a Stravinsky evening are in the repertory this week (742 57 50).

Opéra Comique-Salle Favart: Manon and a Stockhausen evening alternate this week (296 06 11).

WEST GERMANY

Stuttgart, Württembergische Staatsoper: Hans Werner Henze's rarely played Don Quichotte stars Regina Marheineke and Kimmo Lappalainen. Ariadne auf Naxos has Maria de Francesca-Cavazza and Irmgard Stadler in the title part. Philip Glass' opera Echnaton composed especially for the Stuttgart opera and premiered on March 24, is produced by Achim Freyer and has counter-tenor Paul Esswood outstanding in a cast of high standard. Further performances of Rigoletto, sung in Italian, and Die Fledermaus.

Munich, Bayerische Staatsoper: Munich's annual Opera Festival, running from July 4 to 31, opens its third week of performances with La Bobeme starring Mirella Freni, Lucia Popp and Wolfgang Brendel. Der Barbier von Bagdad is an Otto Schenk production which brings together Lucia Popp, Kurt Moll and Claes H. Ahnsjö. The praised new production by August Everding of Honegger's Johanna auf dem Scheiterhaufen has Cornelia Wulkopf and Julia Varady in the leading roles. The final offering this week is Le Nozze di Figaro with Margaret Price, Ann Murray and Hermann Prey.

LONDON

Coliseum: The Dance Theatre of Harlem continues its visit with mixed programmes, and on Wednesday and Thursday the first performances of its Giselle staging which is located – according to the programme – in the Creole society of Louisiana.

Royal Opera House, Covent Garden: The Royal Ballet is playing every night, with Manon and The Sleeping Beauty on offer this week.

NEW YORK

New York City Opera (New York State Theater): The company's 40th season has a week of performances ol Candide, as well as Frank Corsaro's productioo of Madame Butterfly, Scott Bergeson conducting The Magic Flute and o subtitled La Boberne with Judith Haddon as Mimi. Lincoln Center (870 5570).

City of London Festival

This festival of music from July 15-28 right in the heart of the city gives entrée into some of the oldest and most beautiful rooms and churches in London. It also provides programmes with such well known artists as Jorge Bolet, Felicity Palmer, John Lill, Erich Gruenberg, Tamas Vasary and Marisa Robles.

String quartets including the Fitzwilliam, Medici, Arditti and Brodsky, will also appear, plus the Polish Chamber Orchestra, Nash Ensemble, London Sinfonietta and the Grimethorpe Colliery Band.

The Great Fire of London in 1666 damaged or destroyed many older buildings, but three which survived are: the Priory Church of St Bartholomew-the-Great, the oldest Norman priory church in London; St Peter ad Vincula, built by Henry VIII, which bas Queens Anne Boleyn, Catherine Howard and Lady Jane Grey buried near the altar; and All Hallows by the Tower, from which Samuel Pepys watched the fire raging.

Pepys worshipped in St Olave's Church. He was baptized in St. Bride's Church, Fleet Street – a Wren church damaged during the war but since, restored, it is also known as the Journalists' Church.

Other Wren churches where concerts are being held are St Mary Abchurch, the least altered of all, St Mary at Church Hill and St Michael's Church, Cornhill.

Some of the city livery companies' balls are also being used as concert halls, notably the Fishmonger's Hall. It is one of the finest examples of Greek revival style and houses Annigoni's portrait of the Queen, the magnificent Goldsmiths Hall, and the 1959 Barber Surgeon's Hall, which is dominated by Holbein's painting of Henry VIII uniting the Barbers' Company with the Fellowship of Surgeons in 1540.

Another place of interest is the Great Hall, St Bartholomew's Hospital, with its staircase of wonderful murals by Hogarth (who was a governor of the hospital) of the Good Samaritan and the Pool of Bethesda.

After the opening ceremony in St Paul's Cathedral oo Sunday, the festival gets under way on Monday with Jorge Bolet playing Haydn and Liszt at lunchtime at Bishopsgate Hall. This is followed by the Polish Chamber Orchestra playing Biber, Elgar, Vivaldi, Rossini and Britten at the Mansioo House (7.30) and the Fitzwilliam Quartet playing Haydn and Mozart in Middle Temple Hall.

Oo Tuesday the Nash Ensemble play Mozart, Fauré Weber and Ravel at the Fishmongers Hall. In the Stationers Hall the Endellioo String Quartet play Mozart, Haydn and Beethoveo.

At the Baltic Exchange the City of London Sinfonia with John Lill (piano) play Beethoveo, Mendelssohn, Holst and Mozart on Wednesday. Erich Gruenberg, violin/viola, with John McCabe (piano), perform Elgar, Waltoo and Schumann at the Statiooers Hall, and the Chiliogirian String Quartet play Scbubert and Beethoveo in the Great Hall, St Bartholomew's Hospital.

On Thursday in the Guildhall Old Library, the Academy of St Martin in the Fields with William Bennett, flute, and Marisa Robles, harp, play Haydn, Mozart and Debussy. The Amaryllis Consort perform madrigals, lute songs and solos by John Downland and his contemporaries in St Michael's Church, Cornhill. The Chamber Orchestra of Europe Wind Soloists play Mozart, Stravinsky and Dvorak in St Botolph's Church; and the Delme String Quartet play Wolf, Ravel and Brahms in the Goldsmiths' Hall. Box Office: 236 2801.

Theatre

LONDON

Little Shop of Horrors (Comedy): Campy off-Broadway import which is less good than The Rocky Horror Picture Sbow but which bas a curious charm, a full-blown performance from Ellen Greene and an exotically expanding man-eating prickly plant. (930 2579).

Pack of Lies (Lyric): A decent, enthralling play about the breaking of a spy ring in the suburban Ruislip of 1959-60. Hugb Whitemore's script cleverly constructs a drama about betrayal from the friendship of neighbours. The story is based on fact and well directed by Clifford Williams. (437 3686).

The Real Thing (Strand): Susan Penbaligon and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flewed new play. Peter Wood's production strikes a happy note of serious levity. (836 2660/4143).

Daisy Pulls It Off (Globe): Enjoyable romp derived from the world of Angela Brazil novels: gym slips, hockey sticks, a cliff-top rescue, stout moral conclusioo and a rousing school hymn. Spiffing if you're in that sort of mood. (437 1592).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans oo tour with a third-rate farce is a key factor. (836 8889).

Serjeant Musgrave's Dance (Old Vic): Notable cast headed by Albert Finney, Eileen Atkins and Max Wall in a limited season revival of John Arden's fine play. (928 7616).

Pygmalion (Shaftesbury): Peter O'Toole is ridiculously mesmerising as Higgins in an otherwise coarse revival of this resiliently entertaining play. John Thaw is e robust Doolittle, Joyce Carey a fragile Mrs Higgins, Jack Watling a compliant Pickering, Jackie Smith-Wood an earthy but dubiously Cockney Eliza. (836 6596).

Benefactors (Vaudeville): Michael Frayn's third play in London – be also bas *Noises Off* and his Anouilh translation, *Number One*, at the Queen's – is a deft, menopausal comedy about love among the architects as the bottom drops out of the high rise boom in the early 1970s. Michael Blackmore's case are Patricia Hodge, Oliver Cotton, Tim Pigott-Smith and, best of all, Brenda Blethyn. (939 9988).

NEW YORK

Romeo and Juliet: Joseph Papp's Shakespeare Festival is performing in the city parks this year the Riverside Shakespeare company's version of Heartbreak in Veroon. All performances free with the encouragement of bringing a blanket and picnic. (677 6810).

Sunday in the Park with George (Booth): Not your conventiooal musical. Stephen Sondheim's latest is an inspired pairing with director and playwrigbt James Lapine to bring George Seurat's painting to life, with Mandy Patinkin as the painter and Bernadette Peters as his imagined girlfriend, Dot. (239 6262).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production ol T. S. Eliot children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the beyday of Broadway in the '30s incorporates gems from the original film like Sbuffle Off To Buffalo with the apropriately brash and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Benoett's latest musical bas oow become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality ol their music. (239 6200).

Nine (46th St): Two dozeo women surround Sergio Franchl io this Tony-award winning musical versioo of the Fellini film 8½, which like the original celebrates creativity, bere as a series of Tommy Tune's exciting scenes. (246 0246).

WASHINGTON

Henry V (Folger): Philip Kerr directs the rasiden: acting company led by Edward Gero as the charismatic Henry to the field of Agincourt, facing John Wylie as King Charles. Marjory Wright, the wife of the British Ambassador, plays Mistress Quickly. Ends July 1. (546 4000)

Jerry's Girls (Eisenhower): After so many revivals of Hello Dolly, singer Carol Channing and songwriter Jerry Herman have found a new package for this fruitful collaboration. (254 3670).

Music

PARIS

Harvard Radcliffe Orchestra, conducted by James Yannatos: Gershwin, Ginastera, Debussy. (Mon 8.30pm). The Assas Law Faculty, 92 Rue d'Assas.

Jean-Paul Sevilla, piano variations: Beethoven, Brahms, Schumann. (Tue 6.30pm). Townball of the 5th Arrondissement, 21 Place Pantheon.

Crawford Young, lute, Dominique Vellard, tenor, Randy Cook, hurdy-gurdy: The Lute in Medieval Times (Wed 6.30pm). Müsée Carnavalet, 23 Rue Sevigne.

Ensemble Intercontemporain, conducted by Michael Schonwandt and Philippe Manoury: Claude Ballif's 5th Imaginary. (Wed 8.30pm). St Merri Church, 79 Rue St Martin. Free entry.

Ensemble Intercontemporain, conducted by Michael Schonwandt: C. Ballif, Webern, Schönberg. (Thur 8.30pm). St Merri Church.

LONDON

JVC/Capital Radio Jazz Parade: A week of jazz on the South Bank starts on Monday at the Royal Festival Hall with B. B. King Blues Band, and continues all week with Miles Davis on Tuesday, Dave Brubeck and Tania Maria on Wednesday, and the Lional Hampton Orchestra Gala Night on Thursday. (928 3191).

Sanskritik: 14th Festival of Arts of India, directed by Birendra Shankar. A series of five programmes of songs, music, dance and drums in classical and traditional styles with artists from different parts of India. Starts on Tuesday in the Queen Elizabeth Hall and cootinues all week (928 3191).

Myriam Teie, piano: Mozart, Beethoven, Berg, Chopin, Debussy. Purcell Room (Mon). (928 3191).

London Symphony Orchestra, conductor Neville Marriner, Cecile Ousset, piano: Respighi, Mendelssohn, Delius, Strauss. Barbican Hall (Tue). (638 8891).

London Concert Orchestra, conductor Jonathan Del Mar, Anthony Goldstone, piano: Rossini, Handel, Grieg, Borodin, Tchaikovsky, Ravel. Barbican Hall (Wed). (638 8891).

VIENNA

Collegium Cantorum led by Otto Partmann with Gabriele Hafner, soprano; Birgit Greiner, contralto; Frederick Green, tenor and Rudolf Kostas, bass, Rossini's Petite Messe Solennelle. Minoritenkirche, Monday.

Rheinland-Pfalz State Philharmonic Orchestra conducted by Gunther Wich with soloist Anne Leek, oboe. Richard Strauss' oboe concerto and Beethoven's 7th Symphony, Tuesday. Rheinland-Pfalz State Philbarmonic Orchestra conducted by Kurt Woss performs Bruckner's 5th Symphony, Thursday. Both at City Hall Arcade Court. (42 800/2085 2095).

ITALY

Spoleto: Teatro Caio Melisso: Midday concert every day (on Sunday also at 10am).

Rome: lo the Piazza del Campidoglio: Music by Gershwin including An American in Paris and selections from Porgy and Bess with the sopraoo Alpha Brawner-Floyd and bariton Benjamin Matthews, Friday 9.30 pm; Wednesday, Handel, Rossini and Mozart played by the S. Cecilia Chamber Orchestra and on Thursday, music by Liszt and Berlioz. (Tickets at the Campidoglio from 7.30 on same evening or in Via della Conciliazione 4. 6541 044 (9.00am to 2.00pm).

NEW YORK

New York Choral Society (Cami Hall): Ray Robinson conducts the Westminster Choir College in a programme of Vivaldi and Bacb (Tue) and Clara Longstreth conducts the New Amsterdam Singers in a programme of Handel and Haydn (Thur). 57th & 7th Av (873 0096).

CHICAGO

Ravinia Festival: *Dimitris Sgouros piano recital.* Scarlatti, Chopin, Liszt, Brahms, Balakirev (Mon); Ray Charles (Tue); Preservatioo Hall Jazz Band (Wed); Chicago Symphony. Maxim Sbostakovich conducting, Bella Davidovich piano. Rachmaninov, Shostakovich (Thur). Highland Park (728 4642).

Exhibitions

WEST GERMANY

Hanover, Kestner Museum, Trammlplatz 3: Egyptian art from 4,000 BC to 1,000 AD is documented by 200 sculptures, objects and photographs. Ends Aug 5.

Berlin, Nationalgallerie, 50 Potsdamer Strasse: The last West German venue of a Max Beckmann retrospective with 300 oil paintings, drawings, water colours and graphics by the outstanding German expressionist. Ends July 29.

Frankfurt, Städel, 63 Schaumainkai: Ulrich Rückriem, a contemporary German sculptor, is exhibiting eight stone sculptures from the last two years most never shown before. *Ends Aug 19.*

Munich, Villa Stuck, 60 Prinzregentenstrasse: A survey of the work of Oskar Schlemmer, the German Bauhaus teacher (1888 to 1943). Another exhibition is dedicated to Albert Welti, the Swiss painter (1862 to 1912), concentrating on one of his major paintings and preparatory drawings. Both end Aug. 19.

ITALY

Venice: Amid continual justified complaints about the impossibly short and inconvenient opening hours of most Italian museums and art galleries, the Guggenheim Collection, from having been one of the least accessible, has become the most – and will now be open every day (except Tue) from 12 to 6 pm (also Sat from 8 to 8 pm free of charge). The Saturday evening opening is the result of an agreement between the Solomon Guggenheim foundation of New York and Montedison.

LONDON

The Royal Academy: 216th Summer Show – by tradition the event that brings in the London Season, and the middle classes in their masses. It is always something of a muddle, as would be any show of many hundred works chosen from several thousand sent in. This year, with 1,757 from more than 12,000, the Summer Show is the largest ever. But it is still enjoyable, if you can take the terrors as they come, and make the effort to look for the very many good things by Academicians and outsiders alike. The Academy's membership has been gaining in strength over many years, and now has rather more than a fair claim to occupy the centre of the British Art Stage. Peter Blake, Eduardo Paolozzi, Allen Jones and John Hoyland are only some of the most recent elections. Ends August 19.

PARIS

Charles Schneider – an artist with glass and a magician with colours – began with Art Nouveau and its floral themes to become a pioneer of Art Deco with its geometrical design in his vases, goblets and lamps in rich hues. Louvre des Antiquaires, 2 Place Palais-Royal, 11am – 7pm. Closed Mon, Ends Sept 16.

Galerie Schmit, 396 Rue Saint-Honoré (260 3636): About 30 oils, 30 watercolours and as many drawings and pastels by Eugene Boudin, master of windswept beaches, showing the ever-moving waters and the pewter-coloured skies of his native Normandy and adopted Brittany. Closed Sundays and from 12.30 to 2 pm. Ends July 20.

VIENNA

The Cliche and the reality of Viennese women in their figbt for emancipation at the turn of the century. Hermesvilla, Lainzer Tiergarten. Until March 1985.

INNSBRUCK

"The Tyrolean Nation 1790–1820": Prints and paintings illustrate the Tyrolean peoples' fight against Napoleon and their fruitless struggle for nationhood under their charismatic leader Andreas Hofer. At the Tyrol Provincial Museum, Innsbruck, until 14 October.

NETHERLANDS

Stedelijk Museum, Amsterdam. Eedy de Wilde, retiring sooo as director of this fine museum of modern art, has selected a final summer exhibition concentrating on acquisitions be has made in the last 21 years. Until August.

NEW YORK

Museum of Modern Art: After being virtually closed for three years of renovation, the museum bas a cbance to show the depth and breadth of its considerable collection. No longer is it a boutique of the modern classics but more like a department store, with double its previous exhibition space and room for such examples of modern design as a whole helicopter.

WASHINGTON

Mark Rothko (National Gallery): 88 works on paper by a leading contemporary American artist begin a national tour with this exhibit in the East Building. The bighlights are vivid watercolours from 1968 and 1969, a period wheo Rothko's canvases were already tinged with the sombre browns, blacks and greys that anticipated bis suicide in 1970. Ends August 5.

CHICAGO

Museum of Contemporary Art: Italian sculptor Giuseppe Penooe concentrates on the interaction of man and nature by, for instance, growing potatoes in moulds of his sensory organs and then casting the agglomeration in bronze. The artist will create a 20 foot drawing on one wall of the museum that will be erased at the end ol the show. Ends Aug 9.

Cinema/Nigel Andrews

Summer madness and mediocrity

Police Academy (15) Warner End, Classic Haymarket and elsewhere

The Fourth Man (18) Screen on the Hill and Classic Chelsea

The King and Mr Bird (U) ICA from July 20

Mikio Naruse National Film Theatre

Two rousing headlines, couched in the unique language of "Variety-speak," have lately adorned the front page of America's top entertainment industry magazine. "Hot Pics Clog Release Schedules" and "Pic Production Up 41 per cent Va '83 For First Half."

This startling twofold package of optimism for the industry—heing interpreted, it means that there is a waiting list of new films in the U.S. (with promise of a longer waiting list to come) anxiously jostling for places in cinemas embarrassed by success—is yet further indication that the threatened death of cinema is aa long in coming as ibe death of Methuselah. Movia theatres usually open their moat lukewarm wares in the summer months, with a few scalding exceptions like *Indinna Jones*, and they expect to free most auditoria well in time for the autumn and winter blockbusters. But in America the numbers of surprise off-season hits and boldovers (including *Footloose*, *Police Academy* and *Splash*) have created a heartening traffic jam, rendered even more hoisterous and bottlenecked by recent openings like *Gremlins* and *Ghostbusters*.

(Britain is already feeling the first rumblings of this happy congestion: last week's hox-office takings in London, at a time when midsummer sun and Wimbledon usually conspire to devastate cinemas, were the highest of the whole year.)

Meanwbile the volume of feature film production in America in the first half of 1984 has risen by nearly 50 per cent over the same period for last year: mainly thanks to a huge upsurge from the independent companies who have increased their production rate by 88 per cent.

It is now clear that in many areas of moviedom, hands initially thrown up in horror at the threat of cinema of video, cable and the other futuristic terrors of the 1980s may be put safely and cheerfully back in pockets. There is no reason why different media and viewing systems cannot happily co-exist. Indeed it's quite arguable that video bas helped to *whet* rather than weaken people's appetite for the big screen: by encouraging an interest in modern movie stars or styles or sagas among people who had seldom ventured out of their bomes before. Now—when they have enjoyed *Star Wars* or *Raiders of the Lost Ark* on video—many former non-filmgoers are keen to see their sequels on the big screen rather than wait for their delayed and dmiinutive impact on the small.

Some years ago, cinema queues stretching round corners in Leicester Square seemed as rare and mythic a sight as the Loch Ness Monster. You were likely to be langhed at if you claimed you had seen one. But today they're as regular as clockwork whenever a new Spielberg or Lucas epic materialises, or even a *Greystoke*, a *Splash* or a *Police Academy*.

Local cinemas, of course, in both America and Britain, tell a different story. I caught up with *Police Academy* this week at my neighbourbood ABC and wondered, as I entered a cavernous, dim-lit auditorium that seemed completely deserted, if I had stumbled into a lost burial chamber in the Temple of Doom. I finally espied one other patron in the front stalls and four others further back. But even a Monday morning Press sbow, when critics give chilly matutinal attention to the latest Hollywood comedy, seemed an effervescent proposition compared to the underpowered titters emanating around me. I suspect that just as holidaygoers—for reasons initially puzzling—teod to gravitate to the most crowded beaches, so filmgoers prefer to queue in the West End and pay higher prices, in return for a sense of occasion and shared enjoyment, rather than doom themselves to the darkened sepulchre of their local picture palace.

Police Academy is, alas, as it turns out, a plateful of appalling tosb. I am ready to applaud when films like ET or *Raiders* lure moviegoers by their millions into the maws of the movie-houses: they are being drawn thither by wit, invention, colour and energy. But in *Police Academy*, directed and co-written by Hugh Wilson, they are being drawn merely by a loudmouth retread of the Animal House style of farce-in-an-institution: the institution bere being a forcing bouse for the Fuzz in an nnnamed American city.

Here is the handsome fast-talking hero (Steva Gnttenberg) who comes on like *Catch 22's* Milo Minderbinder but is revealed at the end as having a heart of gold. Here is the ethnic all-sorts supporting cast, inclnding black, Hispanic, Latin and female. (Women bave become an ethnic group in recent Hollywood movies.) And here is the loud-month Sergeant (Bubha Smith) who will be tokenly bumiliated before curtain-time, and the kindly duffer of an Academy head (Georga Gaynes) who will be joshed and joked at but graciously allowed a last-scene dignity.

This film is anti-authoritarianism without tears, a tilt at the status quo with rubber-tipped lances. And it climaxes in a chilling piece of anything-for-a-laugh opportunism (which shows that the film's sympathies have really heen *with* the status quo all along) as the massed cadets charga out in riot gear to quell a disturbance in the town's poor quarter. The reasons for the disturbance aren't given or troubled over. It's enough to place a streetful of ugly-looking riff-raff in front of our heroes and let battle commence. The result is as if the Brixton or Toxteth riots were used as laughter fodder in a comedy about British police trainees called *School For Bluebottles* or *Carry On Hendon*.

Renee Soutendijk in "The Fourth Man"

★

Elsewhere the week is similarly inauspicious. *The Fourth Mon* la an elaborately screwloose Dutch movie directed by Paul Verhoeven. If you have ever had one of those mornings when, like our writer bero (Jeroen Krabbe), you see visions of spider's webs and crucifixes, when you can't shave without cutting yourself, and when you imagine strangling your spouse or lover with a brassiere, you will know how he feels at the opening of this film. I only experience mornings like this about once a week, generally Mondays. And I certainly never follow it up, like Mr Krabbe, by going on an ill-fated lecturing visit to Flushing and accepting an invitation to the home and bed of a beautiful beautician (Renee Soutendijk) who has murdered her last three husbands.

Made with outré camera angles, Vaseline-diffused skies, stabs of aurrealism (a hleeding eye in a hotel door) and enough dream sequences to keep Holland's psychoanalysts in full employ for a year, this is the kind of Expressionist film that gives reticence a good name. It is entirely unclear to me *why*, or even *how*, we are expected to identify with the unstable scribhler hero, whose general manner indicates Over-anxious of Amsterdam and whose lank hair and lantern face suggest Max Von Sydow after a hount of mud-bathing. The whole shenanigans of sexual paranoia with religious overtones was far better handled, if one wants it handled at all, by Polanski long ago in *Repulsion*.

★

Paul Grimault and Jacques Prevert's *The King and Mr Bird* is a French feature-length cartoon whose Sisyphus vision—enshrined both in its fictive setting, a skyscraping kingdom designed in every architectural style from Venetian to Manhattan, and in its actual 30-year production history of frustration and revision before the film was completed in 1979—rolls back downhill under the counter-pressure of a sentimental plot and (in this version) woefully flat American-dubbed voices. There are kings, birds, chimneysweeps, shepherdesses, lions and giant robots, all prettily drawn and coloured. But someone should have taken care to wind up some wit and drama to go with them.

★

It's best to gaze lovingly at the films of Mikio Naruse, crafter of limpid Japanese aocial and domestic dramas, which are unspooling during a month-long retrospective at the NFT. Except when he destroys the Ozu layer with some aerosol jets of overreaching pathos, Naruse displays a clarity and bumanity that every other director this week could learn from.

Takács Quartet/Wigmore Hall

Dominic Gill

With the sound of the Borodin Quartet's extraordinary recital on Saturday still ringing in my ears, it was a little difficult to come down to earth on Wednesday for the Takács Quartet. The comparison is deeply unfair—but salutary (it's one they should be making for themselves, and doubtless do, each day). The attention was only drawn more closely than usual to what they bave not got, and still must strive for — the magical, blossoming aonority, the perfection of intonation, the razor-edge ensemble—than to what they have.

They bave, nonetheless, a great deal: enough to be ranked among the most talented string quartets of the younger generation, and realistically beside our own Lindsay or Fitzwilliam. They opeoed their programme on Wednesday with a serious, imaginative, more than merely well made account of Haydn's last F major quartet of 1799—even if to project the music ideally, the playing needed atill more of that cut-glass clarity and fine, obsessive contrapuntal definition which only long experience, and endless experiment, can achieve.

Their Bartók fourth quartet was very good (the Takács are playing the complete cycle at the Wigmore next year): the second *sordino* movement especially, a delicate Scarboesque fantasy, exceptionally fast and accurate, and the finale, raw and powerful. They were joined last by the young pianist Jenö Jandó for an easy, smoothly lyrical account of Dvorak's A major piano quintet. Mr Jandó gives a solo recital tonight at the Wigmore Hall.

FRANCE'S NUCLEAR INDUSTRY

The 'reserve' role of Superphenix sparks controversy

By David Marsh in Paris

A POTENTIALLY explosive nuclear energy controversy is simmering between Paris and Washington over the world's largest fast - breeder reactor, France's 1,200-Mw Superphenix, being built with participation from five other European countries at Creys-Malville near Lyons and due to come on stream early next year.

Disagreement surrounds the possible use of the fast breeder as a means to produce weapons-grade plutonium for France's nuclear strike forces, which are being modernised and upgraded as a key part of the Socialist government's defence programme.

The world's largest fast-breeder reactor, Superphenix, under construction at Creys-Malville near Lyons

French officials say the Government refuses to rule out the use of Superphenix plutonium in the making of nuclear weapons, although there are no such plans at present.

According to State Department officials in Washington, the matter is "not an issue." But the U.S. Administration will be keeping a close watch for any signs of military use of Superphenix, which Washington believes would contravene 25-year-old uranium supply agreements between the U.S. and the EEC and could theoretically trigger a suspension of nuclear co-operation between the U.S. and Europe.

The possible use of Superphenix to help produce nuclear *warheads as well as electricity* would tie in with a long-standing pattern of intermingled civil and military use of some of France's nuclear facilities.

As in the first three countries to explode nuclear bombs, the *Electricite de France with 51* U.S., Soviet Union and Britain, France's civil nuclear industry —now the second largest in the world, after the U.S.—was built up after the war as a by-product of bomb-making programmes.

France, as a fully-fledged nuclear weapons state, is under no international obligation to keep separate the civil and military sides of its nuclear activities.

But military use of Superphenix—which has been hinted at by members of the French nuclear establishment over the past decade—would cause unprecedented complications, because of the international nature of the project.

It would certainly run into strong opposition among the European non-nuclear weapon states, the electricity utilities of which are helping to finance Superphenix. Apart from Electricité de France with 51 per cent, other shareholders in the project are Italian state-owned Ente Nazionale per l'Energia Elettrica (ENEL) with 33 per cent, West Germany's biggest utility, Rheinisch Westfaelisches Elektrizitaetswerk (RWE) with 11 per cent, Belgian and Dutch electricity producers, and Britain's Central Electricity Generating Board with a small indirect stake of around 1 per cent.

Questions have already been asked in the West German, Dutch and European parliaments over Superphenix's possible military links—receiving mostly vague answers in reply.

Old wounds may be reopened

Weapons production use of the fast breeder would also indirectly hamper international efforts to prevent proliferation of nuclear arms in the Third World. This objective is now given full support in Paris, which has considerably tightened its own non-proliferation safeguards on nuclear exports. Any suspicion that France's fast breeder programme was linked to military use could, however, increase the reluctance of some "threshold"-nuclear countries like Brazil, Argentina, Pakistan or Iraq to agree safeguards on their own civil nuclear facilities, according to international non-proliferation experts.

Finally, any efforts by the U.S. to impede operation of Superphenix through legalistic measures would open old wounds between Paris and Washington. France has never forgotten how the U.S., unwilling to diminish its war-time nuclear monopoly, tried during the 1950s to hamper French efforts to acquire bomb-making technologies which later would prove of crucial commercial importance in the civil nuclear field.

Any U.S. interference would also revive more recent memories of the ill-starred efforts by President Jimmy Carter in 1978 to hinder European reprocessing of spent nuclear fuel to produce plutonium. The French claimed that the Carter action, while launched primarily for non-proliferation reasons was also aimed at preserving American commercial dominance of the nuclear business.

The Superphenix project is already controversial because of its escalating cost—the bill over a decade of construction is now put at FFr 18bn—and uncertain economics.

Fast breeders are fuelled by a mixture of plutonium produced (after reprocessing) from first generation uranium-burning N-plants, together with non-fissile uranium up to now discarded at the stage of uranium enrichment. They have the capacity of producing more plutonium than they consume. With the element (rich in the Pu 239 isotope useful for warheads) built up in the reactor "blanket" of non-fissile uranium which surrounds the "core," fast breeders can be operated to double their initial fuel input of plutonium over a 30-year period.

Fuelled by plutonium being supplied by EdF and the other shareholder utilities, Superphenix holds out the prospect of a 50 to 80-fold increase in fuel efficiency compared with France's present battery of pressurised water reactors (PWRs). Thus it could increase considerably national energy independence by reducing the need for uranium imports in coming years.

This economic basis has, however, been called into question by the slump in the world uranium price since 1979 caused by the sharp international slowdown in nuclear plant construction.

France's own uranium enrichment plant at Tricastin in the Rhone valley, the world's largest civil enrichment facility, which was completed only two years ago with participation from Italy, Spain, Belgium and Iran, is itself operating at only half of capacity.

Cogema, the commercial nuclear fuel services arm of the Commissariat à l'Energie Atomique (CEA), which presides over both the military and civil sides of the French nuclear industry, has stepped up bidding for enrichment contracts on the world market. Cogema has entered as a brash newcomer into aggressive competition with the U.S. Department of Energy which runs the U.S. government's severely under-used enrichment facilities, first built as part of the war-time bomb-making Manhattan Project.

Ironically, EdF has added to the world enriched uranium glut over the past year by selling off part of its uranium stockpile to help cut its losses.

Links between the civil and military applications of atomic energy are hardly new. French scientists first lodged secret patents on the use of nuclear energy, both for electricity production and for bombs, on the eve of World War II, in May, 1939.

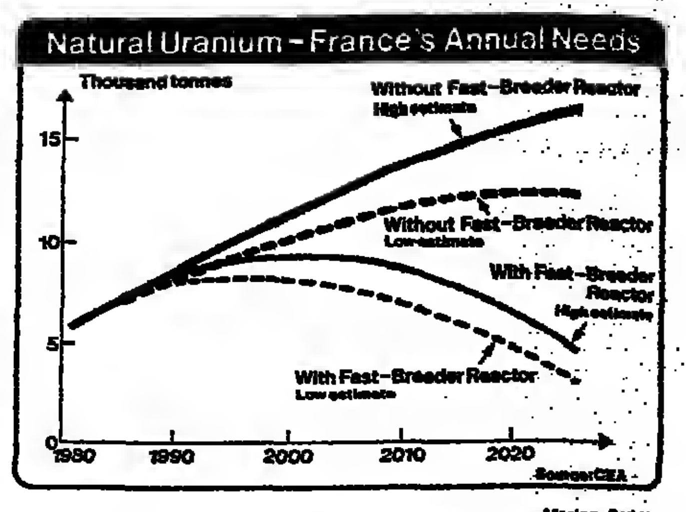
Profiting from pre-war research and the war-time work of French atom engineers in Canada, the CEA, set up by General de Gaulle in October 1945, started running in December 1948, the first atomic reactor on the European continent. With apt symbolism, it was built in the 19th century fort of Chatillon, south of Paris, where France's principal war-time collaborators with the Nazis had been executed a few years earlier.

The plant served to lay the technical foundations for France's single most important post-war coup to bolster its international standing—the explosion of its first atomic bomb (following the opening during the 1950s of more plutonium production facilities at Marcoule near Avignon) in February 1960.

The last of the three military natural uranium-burning, graphite-moderated reactors at Marcoule (the other two were decommissioned in 1968 and 1980) has just been shut down, after providing both electricity to the grid and plutonium for the weapons programme for the past 25 years.

Similarly, in the U.S., the Hanford "N" reactor built between 1959 and 1963 for the weapons programme is one of the longest serving plants in the U.S. grid. In the UK, the country's first two nuclear power plants, at Calder Hall and Chapelcross, were built in the 1950s primarily to produce plutonium for bombs.

A controversy has broken out in the last few months over possible plans by the Reagan Administration to use for military purposes UK plutonium from civil plants supplied to the U.S. under nuclear barter deals in the 1960s.



Marion Sedger

Some of the early natural uranium-graphite plants built for EdF (before France switched to the PWR for power generation in 1969) have also been used to produce plutonium for the military as has Phenix, the 250 Mw prototype fast breeder operating at Marcoule since 1973. And Cogema's military reprocessing facilities at Marcoule are nowadays used for both civil and defence work.

Following the shutdown of the last Marcoule reactor, several other old EdF natural uranium-graphite plants are due to be closed over the next few years. Some analysts have therefore concluded that France may face a plutonium supply shortage for its expanding weapons programme, especially if it decides to put into effect its technical capacity to build the neutron bomb.

As part of a strategy of nuclear arms modernisation inherited from the previous government, the Socialists are committed to introducing progressively, starting next year, the new multiple-warhead M4 strategic missile on the country's nuclear submarines and providing the Mirage IV strategic bomber force with ASMP nuclear missiles as well as bombs.

The strength of France's 18 3,500 km range ballistic missiles stationed in south-east France will remain unchanged. But the Government is boosting considerably the country's tactical nuclear forces through the replacement of existing Pluton missiles by the Hades. (120 systems compared with the present 42) from 1992 onwards and upgrading nuclear air strike capacity.

Government officials say the manufacture of new warheads provides the CEA with no pressing needs for weapons-grade plutonium. The general trend towards smaller, more efficient, and more accurate warheads, as well as the availability of stockpiles and the possibility of recycling plutonium from the existing arsenal now being replaced, limit demand for new weapons material, they say.

The "reserve" role of Superphenix is, however, stated clearly by a top Paris defence official. He says it is "absurd" to suggest that Superphenix is being built deliberately to supply the military. "But there is a difference between saying that we are building Superphenix because we need plutonium, and saying that plutonium (from the reactor) could be used for the military. The options for the future are open. Nothing obliges us (to give Superphenix a military role) — but nothing prevents us either."

No watertight ... guarantee

Non-proliferation safeguards operated by the EEC atomic energy agency Euratom will be applied to Superphenix (unlike the case of Phenix).

But this provides no watertight guarantee of non-military use. The Euratom treaty of 1957 lays down simply that agency inspections should ensure that nuclear materials "are not diverted from their intended uses as declared by the users." This gives France the theoretical right to use its share of the plutonium in Superphenix for military purposes.

However, separate agreements between Euratom and the U.S. in 1959 and 1960 prohibit the military use of any nuclear facility using plutonium originating from U.S. uranium supplied for European power reactors.

Belgium, the Netherlands, West Germany and Italy are all supplying Superphénix, for the initial five tonne "core" loading, with plutonium reprocessed from spent uranium fuel originally supplied by the U.S.

So the terms of the 25-year-old agreement seem to give the U.S. a legal means to block any military use of the fast breeder. This interpretation is, however, resisted by the CEA, and the State Department says that "the agreement is not as unambiguous as we would like."

Confusion over the role of Superphénix could hold up European collaboration on building a second commercial fast breeder, envisaged as one outcome of a far-reaching agreement signed between France, Britain, West Germany, Italy and Belgium in January.

The CEA and EdF are pressing for a government decision to go ahead with Superphénix-2, with participation from other European countries, in 1986. The Defence Ministry has recently made clear that it, too, is supporting the project.

This is the last in a series of articles on the French nuclear industry. The first two appeared on May 24 and June 6. In the latter article, the reference to France's one-quarter share of world reactor exports refers to deals signed over the last few years, as its share of total orders is much lower.

THE PROPERTY MARKET BY MICHAEL CASSELL

Bride Hall begins to bloom in the Garden City

WHEN DANNY DESMOND quit last August as managing director of Hunting Gate, the privately owned development and construction group, he took his secretary and his chauffeur with him and was back in business four days later. He has been moving equally fast (not to say stylishly) ever since.

Desmond's departure from Hunting Gate, which ha had helped build into one of the country's best-known private developers and in which he beld a 22 per cent stake, brought months of boardroom unease and unpleasantness to a climax.

In 1976, he had been appointed group managing director by Frederick Bandet, Hunting Gate's founder and controlling shareholder, who in the same year went to live in California.

But Bandet kept a tight grip on the group's affairs and relationships between the two men eventually began to deteriorate. There were growing disagreements over management style and on the future course of the expanding group — proposals for a stock exchange listing were squashed by Bandet — and Desmond says that non-executive directors appointed to represent the founder's interests made his life "increasingly difficult."

When the crunch came, he was offered the deputy chairmanship and an attractive package of perks. But he had no desire to be nudged on to the sidelines and parted company with the group he had helped steer for 12 years.

During his time as managing director, the former estate agent's junior, who left school at 15, had helped to raise trading profits from £176,000 to nearly £2m. Over the same period, shareholders' funds rose from a little over £200,000 to beyond £8m.

Swapped

When he left Hunting Gate, Desmond swapped his equity stake for a 100 per cent interest in two of the group's investment subsidiaries. He raised £750,000 egainst them and set up shop under the Brlda Hall group banner.

"I left on a Thursday and on Monday I was in business again, working from home. Keeping my chauffeur was not a luxury; having someone else drive gives me a chance to work, as well as to grab some sleep."

Desmond, who is now 44 and says he has "no regrets" about leaving Hunting Gete, spent the next two months looking up many of the friends be had made in the property business. "I wanted to do my own thing and to tell people what I was up to. I was also keen to get something under my belt without delay."

In the last ten months, Desmond—and his chauffeur—have covered e great deal of ground. He has assembled around him e small but impressive management team and alreedy put together a series of development projects, at least one of which would keep much bigger fish fully occupied.

Bill Deans, who bad himself left Hunting Gate in 1981, with a £136,000 settlement in his pocket, has now rejoined Desmond at Bride Hall, occupying the finance director's chair. Deans is currently non-executive chairman of Thermalite and, until last month, was executive finance director of John Lelliot, the builders.

Desmond bas also managed to recruit to the board Andrew Huntley, senior investment partner of Richard Ellis, the agents and surveyors, and David Bramson, a senior partner of Nabarro Nathanson, the solicitors. Both men are acting as consultants. The board is supplemented by a small management team.

The group now operates two subsidiary investment companies and a development company and bolds an 80 per cent stake in two operations jointly owned with J. A. Elliot, the Hertfordshire-based developers and contractors. Through Elliot & Housewise, the group is engaged in private bousebuilding while Elliot Developments will tackle commercial property ventures of up to £5m in value.

The first development which Desmond picked up is now about to start at Hemel Hempstead, where planning approval has been won for a 30,500 sq ft office building on e town centre site. Part of the £4.5m scheme, funded on a "no-risk" basis with Barclay Trust, has been forward sold to Hertfordshire Newspapers.

Other projects in the pipelina include an office and retail project in Chertsey, an industrial scheme in north London and an 8,000 sq ft offica project in Camberley, Surrey.

But Desmond's biggest coup so far has been to tie up a funding agreement with PosTel Investment Management for a 75-acre business park at Letchworth Garden City, Hertfordshire.

The prestige project, which will cost around £48m to build and have a completed investment valna of aronnd £60m, is likely to take about fiva years to develop. Occupiers will get long leases or, if they want, freehold ownership.

Desmond explains: "When I did the rounds of old contacts I saw Fred Reeder, who runs PosTel's property investment operations, and he was immediately interested in the Letchworth plan.

"We have acquired e variety of leasehold interests off the 600 Group and surrendered them to Letchworth in return for a new, 125-year lease, with an institutional gearing."

Desmond says Bride Hall is not putting any money into the huge project, but gets a guaranteed initial fee, a rolling profit management fee and a share of the achieved development profits.

Letchworth itself has started the ball rolling by negotiating for a 50,000 sq ft business centre which will provide central services for companies on tha Park. Two other deals are in solicitors' bands.

Though he will not be drawn for the time being, Desmond says that, elsewhere, potentially "very sizeable" joint venture partnerships with two major international gorups are also et an advanced stage of negotiation.

He bas already had e look at the United States and "took a hard run" at a $10m office scheme on the outskirts of San Francisco. Brida Hall just missed out but further attempts to gain a modest foothold in America look more than likely.

Partners

As to how the newly-formed group will itself develop, Desmond appears to have a fairly open mind. He wants high-quality, low-risk schemes, predomioantly in London and the Home Counties and is prepared to join forces with a variety of corporate and institutional partners. Development profits will be the number on priority, though an Investment portfolio also looks likely.

One particular Idea eppeals to Desmond's sense of adventure: "We plan to offer limited investment partnerships, which will give individuals the chance to participate in property development. They will be able to take advantage of the limited liability offered by such partnerships, as well as the favourable basis of taxation for partnerships generally."

The partnership, in which Bride Hall would act as general partner, would provide seed capital and an institutional fund tha development finance. On completion and sale, the profits would be shared out.

Desmond believes the formula will be a popular one and that it could play en important part in Bride Hall's growth. How far he intends to go with his new creation, he will not say but he expects to be recording profits by 1985. The arrival of e merchant bank to take a useful equity stake also appears a strong possibility.

As for eventual flotation, Desmond prefers to take things one step at a time and to devote his energies to creating a sound base rather than a fanciful future. "I hate setting goals. The whole world knows when you miss."

● London and Leeds Investments, part of the Ladbroke Group, has let 100 Broadway, its 35,000 sq ft development on London's Edgware Road, to Mary Kay Cosmetics. The U.S. direct mail company is to pay £5.50 a sq ft. Hillier Parker and Grant and Partners acted for the developer and Ferrari Dewe represented the tenant.

Pearson teams up in £100m shops plan

PROPOSALS FOR a £100m regional shopping centre at Thurrock, Essex, were revealed yesterday by Lakeside Trading Estate, a member of the Pearson group, and Capital and Counties.

An outline planning application will shortly be submitted, seeking approval for a plan to develop around 1m sq ft of enclosed, retail space and parking for 8,000 vehicles on a site adjacent to the M25 motorway just north of the Dartford Tunnel.

The land in question forms part of a much larger site which Pearson has owned for over 60 years. Extensive leisure facilities will also be provided. The scheme could be completed within about four years and 5,000 permanent jobs could be created. Third-party funding is almost certain to be involved.

● Moscow Narodny Bank has paid £23.5m for the freehold of 81 King William Street, City of London. The building is being developed by John Swire and Sons to provide 41,500 sq ft of offices behind an existing facade. Swire bought the property about two years ago for £12m. Moscow Narodny will move in its head operations next year and will be responsible for the cost of finishing off the redevelopment. Savills acted for Swire and Dron and Wright represented Moscow Narodny.

● Helical Bar, the loss-making steel fabrication specialists, have appointed Michael Slade, until next year the managing director of Grandvista Properties, to run Helical Properties. Mr Slade will take a 49 per cent stake in the new subsidiary and join the main board. Helical Properties has an initial portfolio of about £4m and expects to be profitable in its first year.

● A record price has been paid for a prime development site in central Melbourne. National Mutual Insurance has sold the site, in Collins Street, to Lustig and Moar, a private property developer, for A$13m (A$6.1m a sq m). The Minister for Planning has given approval for a 218,000 sq ft net office scheme. Colliers acted for National Mutual.

● The Long-Term Credit Bank of Japan has taken 30,000 sq ft of floorspace et 18 King William Street, City, the new office building developed and funded by United Kingdom Provident Institution in partnership with the Mercers Company and the City Corporation. Rent was over £30 a sq ft and Savills acted for the tenant.

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2-ACRE FREEHOLD
Zoned Industrial, suitable Hi-Tech Warehousing, adjacent woods, shopping complex, M3, M4
Builder will develop to customer requirements
Phone 0635 298128

CANTERBURY
F.H. Inside walled city. Pedestrian Shopping Precinct. 4,500 sq. ft. of Superb Shop plus Tudor Accommodation. P.P. to convert to offices. 1 acre walled garden. Suit large Shop/All Agencies, etc. £350,000. *Recommended.*

UCKFIELD—EAST SUSSEX
F.H. main road. Large shop plus Accommodation currently "antiques" suit same as above. £170,000.
KENT & SUSSEX BUSINESS SALES
32/36 Dudley Road, Tunbridge Wells
Tel: 0892 47988

BOREHAMWOOD, HERTS. Modern factory, 38,000 sq. ft. Freehold for sale. Hampton & Sons, 6 Arlington Street, London SW1A 1RB, 01-493 8222.

ILFORD HIGH ROAD. Prominent location, detailed planning for Car Showroom, Offices/Residential. Freehold for Sale by Tender. Douglas Allen (Surveyors), 01-518 0017.

FREEHOLD FACTORY CENTRE
SITUATED IN THE
WEST MIDLANDS
With 48 units fully let all with leases income £80,000 pa plus service charge. Price £400,000. Available if required a £320,000 mortgage.
Write Box T6094, Financial Times
10 Cannon Street, EC4P 4BY

[illegible] 2.9 acres with 1,000 ft. frontage to Edgware Road, Hendon, NW9. Approx. 60,000 sq. ft. Could be converted to an occupiers requirements on a Freehold or Leasehold basis. For further details contact C. Thellusson, Hampton & Sons, 6 Arlington Street, London SW1A 1RB. Tel: 01-493 8222.

PRODUCTIVE ARABLE FARMLAND 40-120 acres, no buildings, for sale July, absorb £250-350,000, vacant possession and share farming with leading farmer + interest of 3% min. Spockman Dale & Hood, P.Q.T., Solicitors, Market Hill House, Calne, Wilts.

TRITON—COURT

A new kind of space for your business

Enter Triton Court and you'll discover the kind of environment which large companies dream of occupying. Those companies contemplating relocation centrally will find behind this proud facade in Finsbury Square a unique combination of elegance and sophisticated technology.

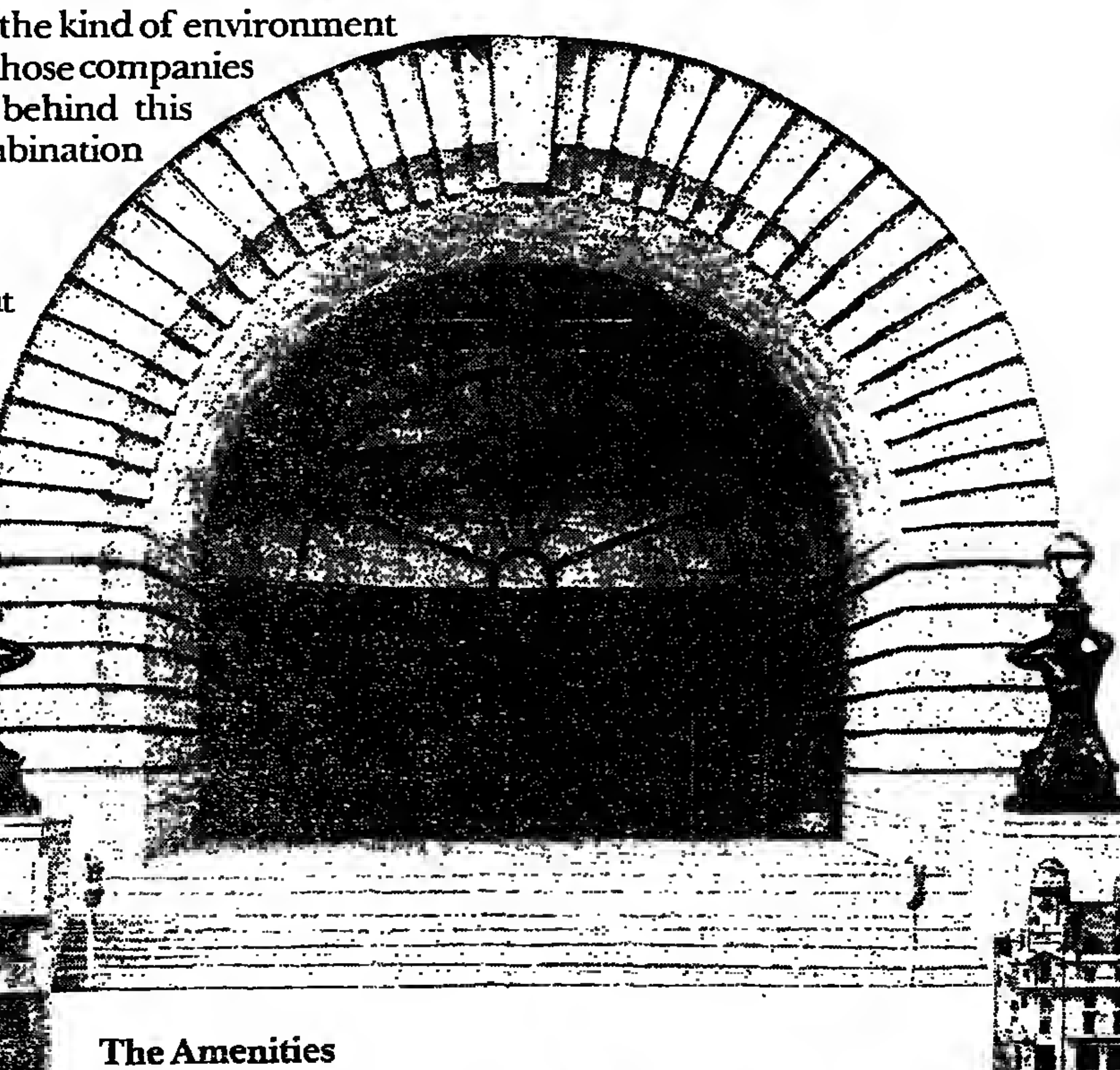
The Reality

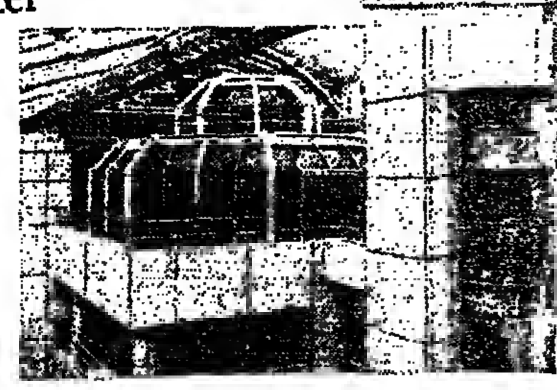
Triton Court is a total environment that encapsulates 200,000 square feet of prestige air-conditioned office accommodation.

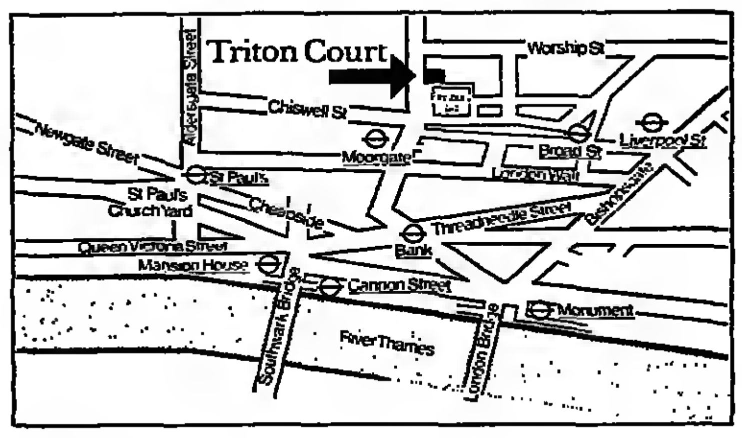
The central Atrium of more than an eighth of an acre in size, which forms an exciting focal point with its Japanese Water Gardens, Squash Courts, restaurant facilities and glass sided wall climber lifts, leads to the office buildings.

Three self-contained office buildings that may be occupied individually or linked to form larger units. Neptune House provides 20,000 square feet, Jupiter House 66,000 square feet and Mercury House 115,000 square feet, each with its own reception area and bank of lifts.

Thus, this major development can provide the solution to space problems of organisations seeking accommodation from 20,000 square feet to 200,000 square feet.







Location

Triton Court dominates Finsbury Square at the northern end of Moorgate and is thus close to the Bank of England and the City's Institutions. Liverpool Street Station, Underground and Bus services all make the building accessible to all.

For further details contact Sole Agents Richard Ellis.

The Amenities

- Full Air-Conditioning
- Underfloor Trunking
- Carpeted Floors
- Fully Sprinklered
- Suspended Acoustic Tile Ceilings
- Central Atrium
- Two Squash Courts
- Computerised Management & Security Systems
- Cafe/Restaurant Facilities

Richard Ellis
Chartered Surveyors 64 Cornhill, London EC3V 3PS Tel: 01-629 6290

TRITON COURT
LONDON EC2

Strathclyde Passenger Transport Executive

FOR SALE GLASGOW

Former Bus Garages

1. Langside, Holmlea Road — 1.93 acres
2. Ibrox, Helen Street — 7.38 acres
3. Maryhill, Maryhill Road — 2.65 acres

Available on an individual or package basis

The above subjects are offered for sale for owner occupation or redevelopment

Further particulars are available by contacting:
The Head of Estates
Strathclyde Regional Council
Strathclyde House, 20, India Street, Glasgow G2
041-227 2546/7

(Signed) Gavin Mason
Secretary & Legal Adviser

NORTHAMPTON

An exceptional opportunity to acquire a major Freehold Site of

175 acres

for comprehensive residential development

Ref: JDM
Weatherall Green & Smith 01-405 6944

KINGS CROSS ROAD WC1

Office Building	3000 sq ft
Mixed User Building	9200 sq ft
	12,200 sq ft

FREEHOLD FOR SALE £400,000

* *Attractively Refurbished*
* *May sell separately*

Richard Brudenell
Chartered Surveyors
2 Bloomsbury Place, London WC1A 2QA
01 580 6996

COMMERCIAL AND INDUSTRIAL PROPERTY ADVERTISING APPEARS EVERY FRIDAY
The rate is £33.00 per single column centimetre

CLOSE MOORGATE
1,100 to 11,310 sq. ft. approx.
New High Quality Air Conditioned Offices

Herring Son & Daw
Chartered Surveyors
74/75 Watling Street, London EC4M 9BJ.
01-248 9743

ASCOT 2,100ft²

PRESTIGE OFFICE SUITE TO LET

Luxuriously refurbished in prime position on ground floor of outstanding Ascot mansion.
Wall-to-wall carpets. Central heating. Spacious carpark.
Landscaped garden. Near shops and station.
Quick access to Heathrow, M4, M3, M25 and M40. 35 min to West End.
Prestige Waiting hall. Full reception services.
For further details ring:
Gerald Vane Ascot (0990) 23377.
Index House, Ascot, Berks.

LONDON EC2

RENT £9 psf

Modern Air Conditioned Office Building
30,000 sq.ft.
30 Car Parking Spaces
Apply Box No.
T6097, FINANCIAL TIMES, 10 CANNON STREET, LONDON EC4P 4BY

CASH AND CARRY WAREHOUSES
Nationwide chain of 29 UNITS available individually
11,500 – 85,000 sq. ft.
GOLDENBERG & CO.
01-491 4101

16 ST. MARY AT HILL EC3
3 SMALL OFFICE SUITES TO LET
For further details apply:
Cluttons
Tel: 01-491 2768

Wanted

REQUIRED BY CLIENTS
FREEHOLD GROUND RENTS
Secured on properties occupied by high class hotels in good locations in central London and the Heathrow area.
Details to:
ELLIOTT SON & BOYTON
79 Wimpole Street, London, W1
Ref: JHS

SUSSEX PROPERTIES SEEKS SHOPS, PREFERABLY IN SMALL PARADES FOR INVESTMENT. Modern, reasonably early reversions. Quick decisions · Funds available FROM £50,000 to £250,000. Details please to Sole Retained Agent: The Lionel Mendoza Partnership, 7 Hove Manor Parade, Hove, Sussex BN3 2DF. Tel: (0273) 778666.

ISLE OF MAN
(Tea Haven)
LAND FOR SALE
With mountain and sea views. Consisting of 1 building plot with outline permission for building 9 bungalows or houses. Roads end sewers installed.
Write Box T6098, Financial Times, 10 Cannon Street, London EC4P 4BY

Offices

EPSOM
ECONOMICAL OFFICES
£8.00/SQ FT
2,500-7,800 SQ FT
WITH PARKING
BRIDGERS COMMERCIAL
Tel: Epsom 41777

WHITEHALL, SW1. £22,057/1879 square feet excellent office suite lease for sale, all amenities. Apply agents: Lewis and Tucker. 01-629 5101.
GUERNSEY OFFICE PREMISES near Airport. Ground floor, road frontage, parking. 1,500 sq. ft. Private. 0481 53661.
WELBECK STREET, W1. period headquarters office building, 2,480 sq. ft. Immediately available. 01-409 2990.

GEORGE KNIGHT & PARTNERS
The Letting Agents
9 Heath Street
London NW3
Telephone: 01-794 1125
AND
155-157 Knightsbridge
London SW1
Telephone: 01-589 2133
Telex: 25480 EQUES G

IBA Investments

We require for investment clients 100% and 50% capital allowances investment opportunities. Speculative or pre-let.
Ref. RCC Bernard Thorpe
1 Hanover Square London W1 01-499 6353

ANDOVER

8 NEW UNITS EACH 2,476 SQ FT
Qualifying for 50% IBAs
New 125 Year Leases
£58,500 Each

Young & White
Commercial
38 London Road, Southampton
Tel: 0703 29332

Beat the Last Minute Rush!!!
for 100% IBA's

Why wait till next March to acquire your tax saving investment? New high specification 100% IBA qualifying factory units are available now in prime Midlands trunk road location with tenants and rent guarantees. Quality development by Manley Developments and J. C. Bailey Construction Ltd.

Details:
JOHN BRIGGS & CALDER
Chartered Surveyors - 0827 61144

UNIFIED APPROACH TO BUILDING DESIGN
Can provide any/all services including Planning, Management, Architecture, Surveying, Structural Engineering, M & E Services, etc.
WESTMINSTER BRIDGE
C & CE COMPANY LIMITED
95 Westminster Bridge Road
London SE1 7HR
Tel: 01-928 3961

100% IBA

Qualifying investment freehold point factories for sale in singles or multiples, 883 sq ft to 1,250 sq ft from £25,850 in Coventry, Kendal and West Midlands.
Illustrated details by return from:
Peter A. Hardee
CHANCEL CONSTRUCTION LTD
Tel: (0902) 46388/46453

100% IBA INVESTMENT
Six of 1,250 sq. ft.
High specification units for sale
10% YIELD
Introduction recognised
Tel: 0827 281031

BOURNEMOUTH AREA—8 factory units 1,250 sq. ft. qualifying for 100% IBAs available individually or blocks of 2 or 3 on established industrial estate. For details contact: REBBECKS, The Square, Bournemouth. Tel: (0202) 22044.
BRISTOL—New Development. 100% IBA. Lettings arranged. Lot sizes from £52,250. J. R. Eve, Bristol. (0272) 277778.

Investments For Sale

INVESTMENT FOR SALE
SHOWROOM PREMISES
BLUE CHIP COVENANT
EAST MANCHESTER
Income: £25,100 pa
Price: Offers in region of £250,000
Tel: 061-834 5747

PRIME FREEHOLD INVESTMENT
LONDON S.W.7
LET TO PUBLIC COMPANY
ON 25 YEAR LEASE
with rent reviews every 5 years
Net Rental Income £70,000 pa excl.
PRICE £1m SUBJECT TO CONTRACT
RING 01-262 8424

UNBROKEN PARADE
"MAINLY MULTIPLES"
16 Shops and upper "parts"
1 Department Store
Washington, Tyne & Wear
Producing in excess of £50,000 with reviews and reversions 1984/5/6/7
BY AUCTION 19th JULY
Harman Healy - 01-405 3581
Leonard Stephens - 01-629 5145

LUXURY BLOCK consisting of 12 1 bed flats and 4 office units for sale leasehold. The property is in the process of rebuilding and refurbishment. Offers in excess of £400,000 invited from principals only. 01-228 0401.
PRIME SUPERMARKET INVESTMENT let to J. Sainsbury PLC at £55,000 p.a. Harman Healy & Co., 14 Roger St., London, WC1. 01-405 3501.
PORTLAND PLACE, W1. Entire residential property for sale. Virtual Freehold comprising 10 flats, medical suite, etc. Immediate vacant possession of part and early vacant possession of other flats. Current income from part only, over £50,000 p.a. Suitable investment, occupation or upgrading. Offers over £800,000. Taylor Rose, 27 Albemarle St., London, W1. 01-492 1007.

Offices To Let

FLEET, HAMPSHIRE
NEW LUXURIOUS OFFICE BUILDING 8,850 SQ FT
TO LET
PILGRIM MILLER & PARTNERS
121 Albert Street
Fleet, Hampshire
Tel: Fleet (02514) 20422

CLOSE TO HEATHROW
SUPERB GEORGIAN OFFICE BUILDING
5,987 sq ft - TO LET
Rental only £5 per sq ft
Excellent fixtures and fittings
No premium required
All amenities with parking
COLLINS VELLEMAN
42 James Street, London, W1
Tel: 01-487 4371

KINGSWAY, WC2 (adj. Holborn Tube)—2,200 sq. ft. in prestige Africa House. Only £8.70 per ho. ft. Rent-free period and immediate possession. Taylor Rose, 27 Albemarle Street, London, W1. 01-492 1607.
LOOKING FOR OFFICES? Please contact Gales Estates Ltd. 01-430 0325. 800-80,000 sq. ft. available in London.
EC4. Refurbished Office Suites. 1,100-2,000 sq ft. Rental £12 p.s.f. Joint Sole Agents, Dron and Wright 01-248 5799; Weatherall Green & Smith, 01-405 6944.
MAYFAIR—Suites of luxury furnished offices available immediately in prestige building. Ideal for senior company directors. Secretarial services in-house. Albemarle Administration 01-493 8165.
EUSTON ROAD OFFICES—5,675-14,885 sq. ft. Short Term £9 p.s.f. 6 months rent free. Savills, 01-499 8644.
MAYFAIR—Superb offices to let in fully refurbished building. Lift, fully carpeted, CH. From 1,500-7,250 sq. ft. Immediately available. Contact Sole Agents: P. H. & P. 01-486 5256.

Land For Sale

FLEET, HAMPSHIRE—Two storey modern industrial development site, with high office content, 4,037 sq. ft. Freehold for Sale. Pilgrim Miller & Partners. Fleet (02514) 20422.

Company Notices

CHARTER CONSOLIDATED P.L.C.
NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the nineteenth annual general meeting of members of Charter Consolidated P.L.C. will be held in the London International Press Centre, 76 Shoe Lane, London EC4A 3JB (New Street Square entrance), on Tuesday 7 August 1984 at 12 noon for the following purposes:
(1) To consider the accounts and the report of the directors for the year to 31 March 1984.
(2) To declare a final dividend.
(3) To reappoint as directors Sir Robert Hunt, Mr G. W. Mackworth-Young, Mr J. G. Richardson, and Mr. J. Ogilvie Thompson.
(4) To reappoint Coopers & Lybrand as auditors and authorise the board to fix their remuneration.
A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the company.

By Order of the Board
E. G. Rudland
Secretary

40 Holborn Viaduct
London EC1P 1AJ
12 July 1984

NOTES:
(1) To be valid the form of proxy must reach the company's registrars in the United Kingdom not less than 48 hours before the meeting.
(2) Holders of share warrants to bearer who wish to attend in person or by proxy or to vote at the meeting must comply with the relevant conditions governing share warrants to bearer, copies of which are available from the registered office of the company and the office of its registrars in the United Kingdom and from the company's overseas paying agents.
(3) There are no directors' service contracts required by The Stock Exchange to be made available for inspection at the meeting.

OIL COMPANY OF AUSTRALIA N.L.

Exercise of July 3, 1984 Options

Notice of exercise (on back of option certificate) together with Australian funds at the rate of thirty-five cents (35c) per share must be received by the share registry not later than July 30, 1984. Options expire on that date and no protection may be given.

Reminder notices have been sent to all option holders. Copies may be obtained from:
Morgan Grenfell Holdings Limited
23 Great Winchester Street
London EC2P 2AX, U.K.
Telephone: (01) 588 4545 Mr Glen Trotman

PRINCIPAL AUSTRALIAN SHARE REGISTRY
c/o PROFESSIONAL SHARE REGISTRIES (N.S.W.) PTY LTD
4th Floor, 720 George Street, Sydney N.S.W. 2000
or P.O. Box K366, Haymarket, N.S.W. 2000
Tel: (02) 211 5299 - Telex: AA71246 - Facsimile: (02) 233 8460

TAISHO MARINE AND FIRE INSURANCE COMPANY LIMITED

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS TO BEARER (EDR's)

In accordance with Clause 16 of the Deposit Agreement dated 17th September 1976, Hambros Bank Limited hereby gives notice of the convocation of the 67TH ORDINARY GENERAL MEETING OF SHAREHOLDERS of Taisho Marine and Fire Insurance Company Limited. The particulars are as follows:
1. Date and time: 10.00 a.m. on 19th July 1984.
2. Place: In the Hall on the 7th Floor of The Nomura Securities Co. Ltd., located at 9-1 NIHONBASHI, 1-Chome, Chuo-ku, Tokyo.
3. Purpose of the meeting: Matters to be reported: Business report, Balance sheet and profit and loss account for the 67th Business year (from 1st April 1983 to 31st March 1984).
Matters to be resolved:
First Item: Approval of proposal for appropriation of retained earnings for the 67th business year.
Second Item: Report on matters concerning the merger of Banzai Building Co. Ltd., into the Company.
Third Item: Election of Twenty-Three Directors due to expiration of the term of office and to increase in number of one Director.
Fourth Item: Election of TWO Statutory Auditors to fill vacancies.
Fifth Item: Presentation of retirement Gratuity to retiring Directors and Statutory Auditors for their services.

HAMBROS BANK LIMITED
41 Bishopsgate
London EC2P 2AA
13th July 1984

KONISHIROKU PHOTO INDUSTRY CO., LTD.
NOTICE TO EDR HOLDERS

Notice is hereby given that the 80th Ordinary General Meeting will be held at 10.00 a.m. Tokyo time on July 19, 1984 at Nomura Hall, Shinjuku Nomura Building No. 26-2, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo. The meeting will consider and vote upon the following items.
1. Approval of the proposed appropriation of retained earnings for the period April 21, 1983 to April 20, 1984.
2. Election of ten Directors.
3. Election of three Auditors.
4. Payment of retirement remuneration to the Directors and Auditors to be retired.

The proposed dividend subject to Shareholders' approval will be Yen 4.75 per share, and will be payable on or after July 20, 1984. EDR Holders wishing to exercise their voting rights should comply with Condition 12 of the EDRs not later than July 17, 1984. In this case it will not be necessary to deposit EDRs or any coupon detached therefrom.

THE CHASE MANHATTAN BANK N.A.
July, 1984 — London, as Depositary

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN ASAHI GLASS CO., LTD.

We are pleased to confirm that copies of the Annual Report for the year ended December 31, 1983 of Asahi Glass Co., Ltd are now available to EDR holders, upon application, at the offices of the Depositary, Citibank, N.A., 336 Strand, London WC2R 1HB, and the Agent, Citibank (Luxembourg) S.A., 16 Avenue Marie Therese, Luxembourg.

CITIBANK, N.A.,
London Depositary.
July 13, 1984.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN MINEBEA CO. LTD.

We are pleased to confirm that copies of the Semi-Annual Report for the six months ended March 31, 1984, of Minebea Co. Ltd., are now available to EDR holders, upon application to the offices of the Depositary, Citibank, N.A., 336 Strand, London WC2R 1HB, and the Agent, Citibank (Luxembourg) S.A., 16 Avenue Marie Therese, Luxembourg.

CITIBANK, N.A.,
London Depositary,
CSSI Dept.
July 13, 1984.

OKG AKTIEBOLAG
(Formerly Oskarshamnsverkets Kraftgrupp Aktiebolag)

U.S. $50,000,000
RETRACTABLE BONDS 1997

In compliance with the requirements of the Stock Exchange in London we inform holders of the above mentioned Bonds that copies of the English language version of the Annual Report and Accounts of OKG Aktiebolag are available from the offices of Hambros Bank Limited, 41 Bishopsgate, London EC2P 2AA.

JAMES BEATTIE PLC

NOTICE IS HEREBY GIVEN that the 6% Preference Share TRANSFER BOOKS of the Company will be closed from the 24th to the 31st July, 1984, both dates inclusive.

By Order of the Board
R. S. TAYLOR
Secretary
71/78, Victoria Street,
Wolverhampton.

Legal Notices

No. 002455 of 1984
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
WIDNEY PLC
AND IN THE MATTER OF
THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the ORDER of the High Court of Justice Chancery Division dated the 25th day of June 1984 confirming the reduction of the Capital of the above-named Company from £1,150,000 divided into 250,000 7% Cumulative Preference Shares of £1 each and 9,000,000 Ordinary Shares of 10p each to £610,000 divided into 250,000 7% Cumulative Preference Shares of £1 each and 9,000,000 Ordinary Shares of 4p each and the MINUTE approved by the Court showing with respect to the share premium accounts of the Company the several particulars required by the above Act were REGISTERED by the REGISTRAR of COMPANIES on the 3rd day of July 1984.

Dated the 10th day of July 1984.
SHERWOOD & CO.,
Queen Anne's Chambers,
3 Dean Farrar Street,
Westminster, SW1H 9LG.
Agents for:
JOHNSON & CO.,
85/87 Cornwall Street,
Birmingham B3 3BZ.
Solicitors for the Company.

THE COMPANIES ACTS 1948 TO 1976
VIXMILL LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 293 of the Companies Act 1948, that a Meeting of the Creditors of the above-named Company will be held at Sugar Quay, Lower Thames Street, London EC3R 6DG, on Wednesday, the 25th day of July, 1984, at 10.30 o'clock in the forenoon, for the purposes mentioned in sections 294 and 295 of the said Act.

Dated this 9th day of July, 1984.
By Order of the Board.
PETER VICTOR YOUNG,
Secretary.

Art Galleries

LUMLEY CAZALET 24, Davies St., W1. 01-499 5056. 50 FINE PRINTS—Pissarro to Hockney. Until 27 July.
MATTHIESEN, 7-8, Mason's Yard, Duke St., St. James's, SW1. 01-930 2437. SCHOOL OF FERRARA 1450-1628. Until 14 August. Mon.-Fri. 10-5.30; Sats 10-12.30.
BROWSE & DARBY, 19, Cork St., W1. 01-734 7984. BRITISH & FRENCH EXHIBITION, 1870-1950.

CLASSIFIED ADVERTISEMENT RATES

	Per line (Minimum 3 lines)	Single column cm (Minimum 3 cms)
Commercial and Industrial Property	9.50	33.00
Residential Property	7.50	25.00
Appointments	10.00	34.50
Business, Investment Opportunities, Business for Sale/Wanted	9.50	33.00
Personal	7.50	25.00
Motor Cars	7.50	25.00
Hotels and Travel	7.50	25.00
Contracts and Tenders	9.50	33.00
Book Publishers	—	net

Premium positions available
(Minimum size 30 column cms)
£6.00 per single column cm extra
For further details write to:
Classified Advertisement Manager
Financial Times, 10 Cannon Street, EC4P 4BY

International Property

AUCTION

9.5 ACRES WITH ARCHITECTURALLY SIGNIFICANT IMPROVEMENTS ON THE POTOMAC RIVER NEAR WASHINGTON, D.C. WITHIN THE RESTORATION DISTRICT OF HISTORIC ALEXANDRIA, VIRGINIA

The property is located within the original 17th century waterfront business district, 20 minutes from the Capitol Buildings in Washington, D.C. Excellent site for fashionable shops, restaurants, cafes or exclusive offices. Ample space for riverfront boardwalk and parking.

The district is listed on the National Register of Historic Places and the property is eligible for Investment Tax Credit.

The original structure was designed for Ford Motor Company by Albert Kahn and was completed in 1932. It was utilized as a torpedo assembly and service facility during WWII.

Presently used as a storage facility by nine Federal agencies.

Art deco facade. Eleven buildings, 194,386 sq ft. 3 year interest only financing. Broker cooperation.

For further information, inspection periods and offering statement call (404) 221-2482 or write to the address below.

GENERAL SERVICES ADMINISTRATION
REAL ESTATE (4-PD) 75 SPRING STREET, SW ATLANTA, GA 30303

REAL ESTATE
OF THE
UNITED STATES OF AMERICA

MIEGE/WALLIS/SWITZERLAND
FOR SALE
(not far from important resorts)
In a small building, directly from the promoter
6 APARTMENTS
2 × 2½ rooms — 2 × 3½ rooms — 2 × 4½ rooms (duplex)
Marvellous surroundings - Licence for selling to foreigners
For more details, write to:
Mr P. Zehnder, case postale, CH-3962 Montana

PORTUGAL — ALGARVE
FOR SALE
Beautiful villa, 3 bedrooms, dining-living room, 2 baths, kitchen, store, solarium, large garden, swimming pool, bar and barbecue.
Price £50,000
Full details: T. ALBUQUERQUE
Rua Castanho Vieira 2-2-D
1200 Lisboa, Portugal
Telex 12549 IMOBIL P. Tel: 687954

MARBELLA AREA

FOR SALE 7,800 SQ METRES
(approximately 2 acres)
DEVELOPMENT LAND

with planning permission for 160 apartments in prime position on seafront over-looking Estepona Harbour. Price: 148 million pesetas (approx. £705,000). Terms available up two years. Estimated maximum funding to finance building project, including part payment of land £500,000. Estimated return on capital in excess of 100% over 2½ years. Established British Developers in Spain available as consultants if required.

N.B. offer open until 23rd July 1984

For further details:
Telephone Dennis Hill (0784) 31697 daytime
(0784) 31978 evenings

FABULOUS and SPECTACULAR Estate in BEVERLY HILLS, CALIFORNIA

For sale, superbly designed 3.9 acre estate located on the scenic Mulholland drive. The two-story residence, located in a totally illuminated garden, contains 4,600 sq ft (500 sq m approx) of living area, beams, fireplaces, dining-room, solarium, family room-bar, projection booth with screen, jacuzzi, sauna, three bedrooms including master suite with fireplace, 4 baths, provision for maid's quarters. Exquisitely detailed throughout. Adjacent detached 416 sq ft (40 sq m approx) guest house, 3-car garage, professionally lighted tennis court, 20ft × 40ft swimming pool, putting green with sand trap. Terraced barbecue and gazebo. Central air conditioning and numerous other de luxe features.

Potential buyers only, for further information, write or phone:
M.E.C.E.
Le Panorama, 57 Rue Grimaldi
98000 Monte-Carlo (Principality of Monaco)
Telex 479621 MC - Phone (93) 50.78.27

Attention please
Firms, Companies and Business people

Pay less for your over-night stay than in expensive hotels.
In the HEART OF MUNICH we rent:
8 suites luxuriously furnished, very comfortable, with acceptable prices, separately or all together. The property is located directly near Maximilianstrasse, Hotel Vierjahreszeiten.
Ask for information:
RIKA-IMMOBILIEN GmbH
Drygalski-Allee 33, 8000 München 71
Tel: 089/785 42 61 or 089/784 071

SWITZERLAND

LAKE GENEVA — MOUNTAIN RESORTS
Apartments in MONTREUX on LAKE GENEVA, also available in famous mountain resorts: VILLARS, VERBIER, LES DIABLERETS, LEYSIN, CHATEAU D'OEX NEAR GSTAAD. Chalets available. Excellent opportunities for foreigners. PRICES FROM SwFr123,000. Liberal mortgages at 6½% interest.
GLOBE PLAN S.A.
Av. Mon-Repos 24, CH-1005 Lausanne, Switzerland
Tel: (21) 22 35 12 · Telex: 25 185 MELIS CH
VISIT PROPERTIES · NO OBLIGATION

SWITZERLAND—Centre of Villars, two … chalet … apartments in new built … Preston Properties … Wey, London, SW6. Tel: 01-385 3102.

SPAIN—78,000 sq. m. Immediately adjacent new … Casino and road … of Puerta Santa Maria … Write Box T6092, Financial Times, 10 Cannon Street, London EC4P 4BY.

SWITZERLAND

Marvellous Crans-Montana
JUST ON THE NICEST EUROPEAN MOUNTAIN GOLF COURSE
For Sale Apartments 2-5 Rooms
From Swiss Francs 205,000
AT TBARAT HAMLET
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Friday July 13 1984

Blow to world trade

SISYPHUS in Hades was condemned to roll a heavy stone up a hill: whenever he reached the top, the stone eluded his grasp and tumbled down again. In a modern version of the ancient Greek myth Sisyphus might have to expiate his wrongdongs by selling steel to the U.S.: once one set of import restrictions is in place a further tightening is threatened.

Such is the case with the recommendation of the U.S. International Trade Commission (ITC) for limiting the market share of a range of imported carbon steel products by the introduction of quotas, tariffs or both. The recommendation to President Ronald Reagen is mede at a time when about three-quarters of the steel imported into the U.S. elready is subject to some sort of restriction, imposed either by the U.S. or on e supposedly voluntary basis by exporting countries.

Climate

Measures to protect U.S. industry and especially ateel (like protectionism everywhere) have a long hstory. But in the present climate the problem is greatly aggravated by the overvaluation of the dollar. If U.S. economic management were to produce a more reasonable exchange rate et least some complaints against foreign competition should subside by themselves.

The ITC made its recommendation under the so-called escape clause of the Trade Reform Act of 1974. That clause has lately been invoked with increasing frequency. Under it, it is permissible to impose restrictions without proof of unfair practices, such as the payment of subsidies, in the country where exports originate. What has to be proved is serious injury to the domestic industry with which these imports compete, something altogether less difficult than proving malpractice.

Procedure

Escape clause procedure differs from anti-dumping procedure in another important way. The President is entitled to refuse to act upon an ITC recommendation made under the escape clause. Looked at in one way that is a measure of protection to the exporter abroad, since the President can take into account considerations other than the narrow interests of a U.S. industry hurt by imports.

He could look, for instance, at the wishes of consumers, which are not in any way considered by foreign trade legislation. He could also look at the U.S. commitment to free trade, so frequently affirmed at economic summits and elsewhere.

We hope that he wilt do so. But he may find himself in an awkward position in the midst of his campaign for re-election. Not only in the U.S. ere the political pressures for protection almost invariably stronger than those for free trade.

For instance, in 1980 the ITC decided that no case had been made ont for blaming imports, principally from Japan, for the difficulties being experienced by the U.S. motor industry. Yet the Administration went ahead with a self-restraint egreement limiting Japanese shipments of cars to the U.S.—the usual fig teaf to evoid more open restrictions.

Imports are not the cause of the American steel industry's problems. It is suffering from years of inadequate investment and excessive labour costs. Much of *its* plant *is* outmoded and cannot compete on equal terms with local mini-mills or with overseas producers. That is recognised by implicetion in the recommendations of the ITC. It proposes that additional import restrictions should be made conditional on the U.S. ateel industry being ready to modernise plant and to cut costs, including labour costs.

While the ITC has thus sbown its awareness of the underlying problem, can its stipulation be put into effect? Once a measure of protection is in force, politicel considerations make it hard to remove. By raising barriers to imports, the ITG proposals would remove the strongest pressures on the U.S. steel industry to increase its efficiency.

Interests

More immediately, the ITC proposals could be damaging to wider interests of both the U.S. and the world. The list of countries they are likely to hit hardest includes Brazil and Mexico, two nations with acute debt problems which they will never solve if their exports are turned away.

That argument cannot be mede by steel exporters in Japan or western Europe. The Japanese could strengthen their case by being seen to open their bome market more widely to imports.

A trade war on top of the debt crisis and the return of high interest rates would deal the world economy a heavy hlow. The ITC ruling points in precisely the wrong direction.

The reform of Lloyd's

EXACTLY TWO years after the passage of the Lloyd's Act of 1982, the London insurance market is still witnessing the kind of scandal which this reforming legislation was meant to attack. There is little doubt that if Parliament had known then what it knows now, Lloyd's would not have been left with its unique privileges of self regulation. The question is whether the Act now needs to be reconsidered, or whether the market should be given more time to set its house in order.

The Lloyd's authorities argue that although the hurricane is still shrieking, the vessel has passed through the eye of the storm and is heading for calmer waters. They can point to an impressive list of reforms to support this claim.

For one thing, authority now rests firmly in the hands of the new Council of Lloyd's, rather than the Committee, which means that a much broader range of interests is being represented. A small number of distinguished outsiders are making an important contribution, especially in the key areas of investigation and disciplinary work.

Outsiders

Under this lead, the market is being forced to reconsider those practices which were allowed to develop under the cloak of business secrecy, and which too often blurred the distinction between shrewd financial management and unacceptable business conduct. The first central file containing the accounts of all syndicates operating in the market has been almost completed, and will be open to the public within the next few weeks. This will also show details of related party transactions, an obvious area for potential conflicts of interest.

The Council is now sending out draft proposals for a standard agency agreement which will be fundamental to the relationship between agent and Name, and is also seeking to impose tougher conditions on the auditors of underwriting syndicates. Membership rules will also be revised, among other things to make it harder for wrongdoers to escape simply by resigning their membership.

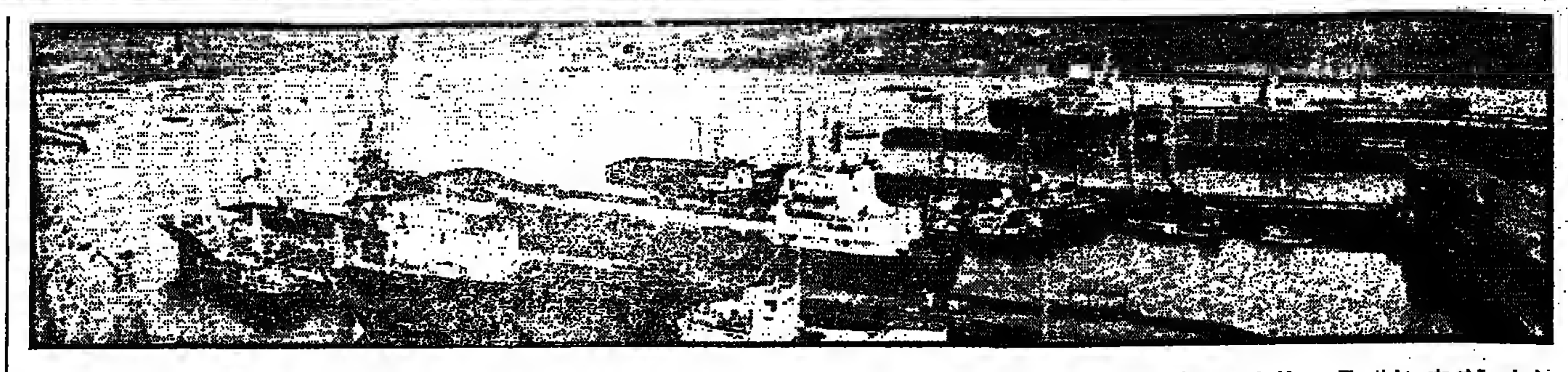
The hope is that the new constitutional framework will be firmly in place by the end of 1985, and that well before then—possibly by the close of this year—the disciplinary proceedings arising from the well publicised scandals will be more or less completed.

Given the size of the problem, that would be a major achievement. Lloyd's points out that the rule changes which are intended to make it possible could not have been implemented so quickly if they had been subject to the approval of a separate agency with statutory powers. Moreover, although the experience of recent years has been traumatic, it has not visibly damaged Lloyd's position in the world market. Confidence in the security of Lloyd's

Abuses

Yet it is much too soon to relax. Lloyd's disciplinary proceedings have yet to prove their worth: they are taking a lot longer to complete than anyone expected, partly because some of those involved have turned to the courts. More generally, there is room to doubt whether a flash of sunlight on the market will be enough to clear up the abuses which had been building up over decades.

There is a view in the market that Lloyd's has been going through a once for all upheaval, and that the practitioners will be able to take up the reins more or less as before once it is completed. This is unwise. At best, Lloyd's is going to have to learn to live with a strong and independent executive management organisation over the long term. At worst, its privileges will again come under well deserved attack if it does not reach smooth water within the next couple of years.



The dockers' action

A strike just waiting to happen

By Philip Bassett, Labour Correspondent

A NATIONAL docks strike could hardly have come at a worse time for the Government, with interest rates rising, uncertainty in the markets and the miners' strike continuing.

Tbe spectre of e national dock strike has loomed targe in the industrial retations folklore of the post-war years.

Bnt, for many, this strike was a bolt from the hlne. Even some port employers find it hard to comprehend why it was allowed to reach this scale. Accepting that part of the Government'a strategy towards the miners' strike was avoiding a second front being opened—paying off the railwaymen, urging British Steel not to take legal action against the miners' union—they have difficulty in accepting why the Government is not putting pressure on the National Association of Port Employers to get it settled.

Mr Nicholas Ridley, the Transport Secretary, was firm in a BBC radio interview yesterday: "It is not a dispute in which the Government could intervene—and we are not going to do so."

Behind the rhetoric of non-intervention, though, lies deep-rooted Conservative ideological opposition to what is at the heart of the dispute — the National Dock Labour Scheme. A Government committed to relaxing tha hold of the trade union closed shop on indnstry sees the scheme as one of the worst restrictive practices—and, embarrassingly, it is a statutory one.

Behind the rhetoric of non-intervention lies deep-rooted opposition

Set up in 1947, the aim of the scheme was to give permanent labour stability to an industry in which the use of casual labour waa rife. Dockers were placed on a register, and one of the principal objects of the scheme was "to aecure that . . . dock work is done by registered dock workers, and not otherwise."

In practice, this gives the dockers a vice-like grip on their work, but contrary to popular belief, it does not rule out compulsory redundancies—though it has been a powerful force in averting time.

Not powerful enough to balt job losses, though—far from it. As the docks have declined, thousands of jobs have disappeared in a series of voluntary redundancy schemes: the registered workforce in ports covered by the scheme bas declined from 82,500 in 1951 to around 13,700 now.

It was the Aldington-Jones report, which ended the last national strike in 1972, which led to the system that gives the dockers their formidable joh security—so-called "jobs for life." When an employer goes out of business, other employers in the port have to take on the redundant dockers.

The shift of much of the UK's traditionat dock traffic to foreign competitors, particulerly Rotterdam, and the growth of trade in UK ports not covered hy the scheme, such as Felixstowe, has encouraged some Ministers in private—Mr Ridley well to the fore—gently to question the future of their scheme.

But this caution was not enough to prevent the Transport and General Workers' Union issuing an immediate threat of a national docks strike when Mr Donald Stringer, the port employers' chairman, voiced these thoughts publicly in a speech in April. He said that employers now thought that the need and relevance of the scheme had long disappeared.

The storm cones were hoisted, and from that point, the present docks dispute was a strike waiting to happen. A highly emotional issue, it only needed a spark to ignite it.

That came when British Steel decided to continue using contract lahour to load iron ore into lorries at its Immingham terminal for transport to its Scunthorpe steelworks, following the hlacking of rail-freighted supplies by train drivers in support of the miners' strikes.

"Using unregistered labour is like a doctor hringing in a vet to do an operation," says one Tilbury docker. In fact, BSC's action at Immingham seems a less clear-cut breach of the dock labonr scheme than the dockers claim. The use of contractors there seems well supported by agreement and correspondence —though when no trains are running in support of the miners' strikes, the position may he different. In any case, the well-practised system of "gbost" workers in operation at Imminghem—registered dockers heing paid for aod nominally doing work whicb is actually carried out by contractors — reduces the legitimacy of the dockers' case.

The accident, "that fateful half-hour when something went wrong," Mr Ridley says, seemed to come when the Immingham incident coincided with a regular meeting of the TGWU's docks group.

Even though the National Dock Labour Board, which oversees the scbeme, found yesterday that the Immingham incident was a hreach of the scbeme's provisions, all sides seem to agree that Immingham was a far less flagrant breach than an incident at BSC's Hunterston terminal in Scotland in May, when steelworkers unloaded coal from a Norwegian vessel, the *Obo King*, which had been blecked hy other unions.

Indeed, at a meeting of TGWU docks delegates on Wednesday, Mr John Connolly, the union's national docks officer, openly said that Hunterston had been a step hack for the union and its fierce maintenance of the scheme.

This strike may be an attempt to redress the balance —and perbaps a little bit more. The employers claim hitterly that talks earlier this week collapsed because the TGWU *was trying to win a guarantee against all future breaches of the scheme* — whicb the employers felt in practice they could not give — and that it should be for the union to decide wbether any future incidents were breaches. The employers argue that is contrary to the essentially mutual aelf-policing nature of the scheme.

The dock labour scheme does not rule out compulsory redundancies

The big difference has been the miners' strike and wbat has happened to the TGWU since the Hunterston incident: constant embarrassment. Fighting talk from the union's leaders has been brutally undercut day after day as convoys of lorries, many driven by TGWU members, have swept through the miners' picket lines.

It was the lorry drivers who spearbeaded union action in the 1978-79 "winter of discontent." Now in these strikes they have become the flag-bearers of free enterprise. In gleeful defiance, one driver carried a windscreen sticker proclaiming himself the "No. 1 Scab;" another, trucking iron ore into Llanwern, announced: "I'll be taking my money for this bome in a wheelbarrow."

The TGWU wanted to rehebilitate itself in the eyes of the union movement; or, as *one Government official pnts it*: "They wanted a result." Even witb the future of the scheme as an issue, winning members' support for a dockers' strike was a gamhte. But not too mnch of a leap in the dark, though the docks' appalling strike record of the 1960s and early 1970s has eased as the industry declined, but it is still significant at a local level.

Like the coal mines, industrial relations in the docks have been characterised by the presumption that disputes will be settled by immediate industrial action. As one docker put it in London yesterday: "Once we get a call to strike, we strike straight eway."

If the dispute is not settled quickly, Mr Ridley says darkly, then "we are going to have to assume that this is a political strike—some strange *political* desire which has not been made manifest."

This covert reference to the miners' atrikes is hotly disputed hy some dockers. Another Tilhury worker said: "This issue is all about the use of registered labour, and is nothing to do with the miners' strike. If we had wanted to support tha miners, then we would have done that when they asked us."

But a ports' industrial relations manager disagrees. "It was going to happen anyway," he says. "The miners' strike is 95 per cent of the reason why it is now."

Tbe dockers draw the similarities between two basic industries which are contracting. Listening to a group of Liverpool dockers, in London for this week's meeting, is reminiscent of sitting in miners' welfare clubs. "They're asking us to sell our jobs, and our sons' jobs . . . we've taken so much . . . we're turning here, and making a stand."

In the patchwork of the docks, tha exact connection with the miners' dispute is probably impossible to unravel. Whatever the reason, the TGWU—guided, meny feel, more hy its grittily experienced deputy general secretary, Mr Alec Kitson, than by Mr Connolly—*got* its results. Tha employers do not argue with tba union's claim, that in the scheme ports, support for the strike call bas been total.

Future support may be indicated, too, by the lorry drivers' action at Immingham itself. They were apparently quite happy to cross picket lines set up by the miners, or the train drivers, but once a TGWU picket line went up they stopped.

Even in the ports not covered by the scheme, the indications yesterday were that their dockers are coming ont. Key indicators, particularly for companies wanting to circumvent the strike, will be the roll-on roll-off port of Dover, which carries 1,000 lorries every day and the container port of Felixstowe, where dockers meet *this* morning.

All this endorses the employers' rueful private acknowledgment that even with the relative decline of the docks as an industry, the dockers themselves can still marshall, at little or no notice, enough muscle to justify Whitehall's fears and its caution.

Even so, there still may be some pressure on the TGWU to reach a deal fairly quickly. There is already talk in the industry of confusion among the dockers about what the strike is about or for. That could turn into disaffection, although nothing like the Nottinghamshire split in the miners' dispute is envisaged.

The tight vote at Immingham itself over whether to black the work and back the miners (it was carried by a majority of only about 40 votes out of the 700 dockers involved) may be indicative. There is some feeling that if the strike goes past the weekend, it will be both more difficult to end and more prone to crack from below. That would hadly tarnish this week's pure TGWU image of instant militancy.

The dockers are recognised to be tough opponents: a standard theory is that unless they shoot themselves in the foot by breaking ranks, or unless the Government brings in the troops, as the Heath administration almost did in the 1972 strike after declaring a formal state of emergency, dockers are virtually impossible to beat.

Clearly, there is some scope for transport companies to beat the strike. There are far more non-scheme ports and non-unionised ports than in 1972, when manufactured exports were cut by one third. But there is a practical limit to this transfer: bulk cargoes like oil and grain need specific handling facilities at terminals which not every port can provide. There has been a structural change in the industry since 1972, but the old ports are still dominant, with scheme ports carrying 70 per cent of all non-fuel traffic.

Similarly, there is some opportunity of getting round the National Union of Seamen's ban on freight carried by the Sealink line, which comes into force at midnight tonight. But it is only limited: many companies have long-term contracts with ferry lines, and tourist traffic at the height of the holiday season will mean that spare spaces could be rare.

Transport companies could simply switch their business abroad

Even with the clear support for the strike in the docks, and with yesterday's bolstering decision by the Dock Labour Board, the strike—particularly a prolonged stoppage—is not without risk, and high risk at that, for the dockers.

First, and most serious for the industry's future, transport companies could simply switch their business abroad; some are already talking of this if the strike goes on.

Second, while a clear victory for the dockers would make the Government hesitant about any further even tentative moves against the scheme, the failure of the strike would make the Government's abolition of what it regards as political, industrial and economic anathema a real prospect.

Men and Matters

Going home to Washington

Sir William Ryrie's return to Washington in October—as chief of the International Finance Corporation, the World Bank's private investment arm —has a certain bittersweet flavour to it.

The attraction is that be is going back to a city where he enjoyed considerable success and acclaim. As the Treasury man at our Washington embassy, and thus wearing the twin hat as British executive director on the board of the International Monetary Fund, he tived through the thick of the British loan negotiations with the IMF in 1975-76 and througb a particularly turbulent time in the organisation's history.

The informed view in Washington is that Britain may never have sent a hetter representative to the IMF than Bill Ryrie. A direct, articulate Scot, now 55, he was clearly stimulated hy the freewheeling cut and thrust that is an enduring feature of life in the U.S. capital.

So bigb is his reputation there that this is not the first time that A. W. (Tom) Clausen, World Bank president, has tried to lure him back.

But it was precisely the talents that made him so effective in Washington that held bim back on his return to the tighter confines of Whiteball. In particular, as is well known in British Government circles, he fell foul of Mrs Thatcher—between 1980 and 1982 he was the Treasury official in charge of, in effect, the nationalised industries and his disinclination to sbare the PM'a viewa for selling off the public sector did not exactly help his Whitehall career.

So, from being on everybody'a sbort list to be head of the Treasury someday, he found himself sbunted aside in 1982 to take charge of the Overseas Development Association (ODA) which nobody has ever thought of as Maggie's favourite department.

So, when Clausen approacbed Ryrie a few weeks back for the aecond time, he threw his hat into the IFC selection race and, after some politicking in Washington (the U.S. vetoed a Pakistani candidate) landed the joh.

Happy ending

The news that a British White Knight has arrived in the nick of time to save Inmos, the Government-backed micro-chip makers, broke suddenly on the City yesterday.

The tetter of intent was signed yesterday, and Peter Laister, Thorn EMI cheirman, wbose company is paying £95m for the 76 per cent stake held hy the British Technology Group, is deferring a hotiday due to start at the weekend to fly to the Cotorado plant and address the troops on Monday.

The founders and staff of Inmos seem to bave come out of the deal pretty well. If it goes through each of the three founders' shareholdings will be worth £5.22m (Laister pulled out a pocket calculator to calculate tbis). One of the founders, Paul Scbroder, left the company some time ago, but still owns shares.

The founders will he offered an opportunity to sell out to Thorn or to hold their shares for another four years with a promise of the still better price if the company's performance improves.

So the Inmos story, a political hot potato for so long, seems to have a happy ending. Laister says he doesn't propose to change anything at the moment, etthough he is not yet certain of the company's confidential plans.

The general aim is to support its goal of being a world-class chin supplier.

He says: "We try not to get involved in the management of our subsidiaries, but insist on being involved in their direction. Management support to us is not a question of saying we can do it better than you, but of belping them to do it hetter."

Rare immigration

"IN winter you might as well start the day with a smile; once you step outside it gets frozen in."

Ivor Rowe, Manchester magistrate, leading Variety Club charity light, British Vehicle Rental and Leasing Association founder-chairman, and head of the UK vehicle operations of the U.S.-owned Gelco Corporation, is quitting Manchester and heading for Minnesota.

To Eden Prairie, to be precise, not a snowhall's throw away from Minneapolis and where a halmy January day means 25-50 degrees of frost.

Rowe, 52, is making ona of those rare emigrations wben a Brit is moved to run a U.S. company's operations Stateslde.

Gelco, a $1hn a year conglomerate is involved in vehicle fleet management and leasing. It also owns CTI Containers and TIP trailers among its 90 businesses. One way and another, 700,000 cars, trucks, containers and trailers are under its control.

Rowe, until now chairman of Gelco's two UK operating concerns (in fleet management and contract hire) and president of the bolding company, is taking over as preaident of Gelco Vehicle Leasing, responsihle for regional leasing operations in the U.S., Canada and Pnerto Rico, and at the same time retaining responsibility for Europe.

Eden Prairie, however, holds on mysteries for Rowe. He has been there on average six times a year for the past 12 years ever since swapping a director's seat at the Lex Vehicles grouo for one on the main board of Gelco.

But why a Brit for the latest job? Somewhat modestly, Rowe shrugs it off—maybe the American hoard felt it would be hetter to have somebody with more international experience. But *minds* may *also* have been concentrated by the fact that the corporation, as a whole, lost $23m last year.

Super silks

A new topic of conversation has been introduced into the Inns of Court by an article in Tatler magazine.

Now wben two or three barristers are gathered together, they do not discuss only the iniqulties of sollcitors and their diletory payment of counsel's fees. They dissect the Tatler's list of "fashionable" Quuen'a Counsel.

The magazine produced a double page of pictures of those said to be the profession's leaders with a breakdown according to the specialist areas of litigation.

There appears to be little dissent from the proposition that Robert Alexander is today's Super Silk, nor mnch objection to the suggestion that the more gregarious Lennie Hoffman runs *him* a close second.

It is when the article descends from those Olympian beights and suggests who are the leaders and "rising stars" in specialist fields that opinions differ.

Certain names have been greeted with raised eyebrows or scornful sniffs. The harometera of professional success and standing, the baristers' clerks, have reacted most predictably.

Those whose men are not mentioned discuss the whole matter as a frivolous irrelevance, while those working for Silks on the list are rubbing their hands all the way to the bank as they calculate the value of publicity.

The chosen QCs disclaim any interest in the affair, though one did concede there was something in the Sbavian dictum: "Spea kill of ma or speak well of me, just so long as you speak of me."

Observer

PORTUGAL SURVEY

The Portuguese survey, due to appear in today's paper, will now be published on Friday July 20

BRITISH BANKING

Midland's battle to do better

By David Lascelles

NEXT Tuesday Midland Bank will hear some good news from California for a change. After two quarters of heavy losses, Crocker National Bank, its 57 per cent-owned U.S. subsidiary in San Francisco, should announce that it has clawed its way back into the black in the second quarter to the tune of $4m to $5m.

If so, Midland Bank's long-suffering management in London may be encouraged to go ahead and bid for the minority share of Crocker still in public hands. Such a move would bring Midland's investment in Crocker to over $1bn, making it by far the costliest bank takeover ever.

A glimpse of black ink, and an end to the uncertainty over Crocker, would be a relief to Midland, weakened as it is by $55m of cumulative U.S. losses and dented morale. But it will not bring an end to Midland's problems, which stem only partly from its move into the U.S. three years ago.

Mr Geoffrey Taylor, the chief executive who inherited Crocker when he took over in 1981, says the emphasis is now on raising profitability throughout the group which has assets of £55bn. But he concedes it will be "two or three years" before Midland starts earning a decent rate of return on its capital again.

That may be optimistic. To the City at large—where Midland for some time has had a reputation for being accident prone—the bank's condition still looks delicate. Its equity base is proportionately smaller than its rivals', and rumours of a dividend cut pushed its shares down to a new low on the Stock Exchange earlier this month, forcing Mr Michael Julien, the group finance director, to issue a strong denial that such a move was envisaged.

For nearly 10 years Midland has been a poor performer compared to its peers, Barclays, NatWest and Lloyds, by almost every measure in the book. Burdened by a lopsided branch structure reflecting its origins in the industrial Midlands, its profitability has consistently been lower than the other three. Analysts estimate that if Midland got its operating costs down to the average of the other three clearers, it could nearly double its profits.

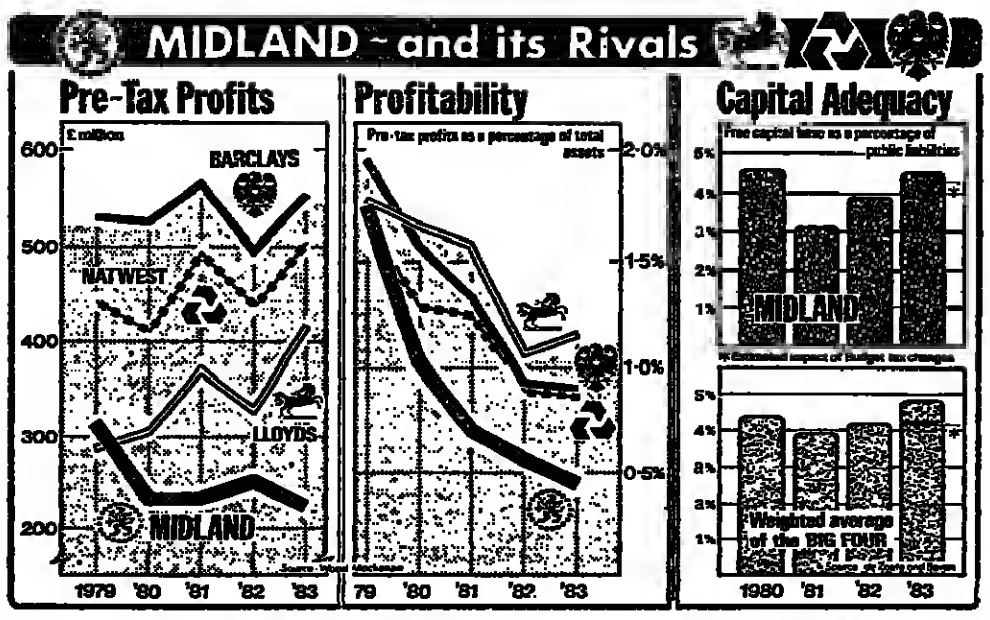
The bank's balance sheet has also been weaker, despite three rights issues in eight years. The latest blow came in March when the Chancellor abolished first-year capital allowances in his Budget and forced Midland to dip into reserves for £230m—nearly its entire expected earnings this year—to meet tax liabilities on its leasing business which it had not expected to have to pay.

Ironically in the light of what is now happening in the UK financial services industry, Midland at times in the past decade has owned the components of what could have become an impressive financial conglomerate had it not sold bits off again: Bland Payne, a leading Lloyd's insurance broker (sold), Samuel Montagu the merchant bank (40 per cent sold), a stake in Standard Chartered Bank (sold). It still fully owns Thomas Cook, one of the world's largest issuers of travellers cheques.

Crocker's losses are the more unfortunate because they became apparent just as Midland seemed at last to be getting to grips with its problems. The previous unwieldy management structure which split responsibility between two chief general managers was scrapped and replaced with clear lines of authority leading to Mr Taylor, and a determined effort was underway to cut costs. Bright new executives were hired for key positions: Mr Julien to tighten financial controls, Mr Ernst Brutsche, a German who had earned his spurs with Citibank in New York, to streamline Midland's treasury, and Mr Hervé de Carmoy, an urbane Frenchman, to organise the group's somewhat muddled attempt to become a major international presence.

"We've been blown off course," says Mr Taylor. "The sort of problems we have with Crocker make tremendous demands on management. But I think we're getting back now."

However, before Midland can think of setting a new course, it will have to repair the damage to its balance sheet. That will not be easy since the obvious and easy way—a rights issue—is in practical terms barred to it by the sharp fall in the share price (two weeks ago its shares were yielding more than any UK bank stock since the war). Instead, Midland will have to boost its capital base by selling more of its assets, and reining in the growth in the balance sheet.



Bob Hutchison

The key disposal will be Crocker's plush new headquarters in San Francisco.

Mr Taylor firmly denies all rumours that Midland is about to sell what he calls "strategic investments": its remaining 60 per cent stake in Samuel Montagu, its Clydesdale and Northern Bank subsidiaries, Forward Trust, the leasing subsidiary, and Thomas Cook.

The group, however, will seize chances to sell some 30 to 40 minor investments such as its share of consortium banks or minority interests where it has never had an effective influence over management. One of the first to go is Midland's 20 pr cent stake in European American Bank, the loss-making New York consortium bank, which is on Midland's books at £33m.

Quite how much cash these disposals will yield remains to be seen, and some analysts believe that Midland will be boxed in for years by balance sheet problems. But Mr Taylor says: "We see these actions making our capital ratios acceptable to us and to the Bank of England." Although the Bank never comments publicly on a bank's finances, it can be assumed that it wants to see Midland steadily strengthen its capital base.

A key role in improving Midland's housekeeping falls to Mr Brutsche in treasury, whose job is to raise money to fund the bank's operations without adding more than is absolutely necessary to the balance sheet. (He is also expected to make a profit, which is rather new for Midland's treasury.) "We have to take a different approach now," he says. "When you have limited resources available, you must choose between the nice things to have and the essential things to have."

Aside from making the most of sophisticated funding techniques like swaps and financial futures, and trading loans more actively, Mr Brutsche is trying to cut out duplication within the bank itself. "If one part of the group has surplus funds and another needs funds, it is obviously better if they deal with each other rather than with the market," he says.

There is also a vigorous drive for profits on the international side. Mr de Carmoy, whose responsibilities cover all Midland's overseas business except Crocker, says the California debacle has tended to obscure the fact that Midland's other foreign ventures "have been reasonably successful," earning a healthy pre-tax return of 20 per cent. His goal is to boost foreign profits by £30m by the end of 1985 by building on Midland's well-established presence in Europe and expanding in the Far East and Australia.

The slackness of business loan demand should help Midland keep its balance sheet under control. Even so, there is a risk that customers will drift away because they think Midland is deliberately raising its loan rates to discourage custom.

"We are not putting up the shutters," Mr Taylor says. "There are thousands of ways we can improve profitability without screwing the customer." But both Mr Brutsche and Mr de Carmoy talk of much greater selectivity in their departments. "There are times when I have to say no and ask people to come back with different ideas," Mr Brutsche says. On the international side, he has set strict return guidelines for Midland's participation in loans.

In the UK, stringent cost controls remain the order of the day. The domestic branch network is being pared back (Midland has reduced its branches in Liverpool from 20 to nine) and regrouped in clusters so more operations can be centralised. Some of Midland's greatest strengths are in the high street: it has made cost-saving strides in automated banking, and—bucking the trend—has a rising proportion of sight (and therefore cheap) personal accounts. Mr Ian McLean, banking analyst at the stockbrokers Wood, Mackenzie, says: "Overall, Midland's sterling funding costs appear to compare favourably with those of its main rivals."

Yet no matter how valiantly Midland battles to do better, no single part of the group plays a greater role in its destiny than Crocker, which now accounts for 30 per cent of the whole. And its handling of the U.S. bank not only presents Midland with extremely tough decisions but could hold the key to its future.

Crocker's new management under Mr Frank Cahouet has answered Midland's desire for tighter control by hacking out tens of millions of dollars of bad loans and slashing the dividend. But the recent prime rate rise has put new pressures on Crocker's main borrowers—Californian real estate developers and Latin American countries—raising the possibility that more write-offs may be necessary.

In the longer term, though, Crocker has several things going for it. Mr Richard Flamson, chairman of Security Pacific, a big Los Angeles rival, said last week: "Crocker's great underlying strength is that it is located in the best banking market in the world."

If Crocker's long-term prospects are, indeed, more rosy than they look now, there is a strong argument for Midland to buy up the minority interest soon, while its share price is languishing at around $17, barely a quarter what Midland paid for the rest. Mr Taylor agrees that there is a logic to this view, but he refuses to be drawn except to say there are three options: sell Crocker, buy the rest, or do nothing. And he has ruled out the first.

However, the odds on a Midland purchase appear to have strengthened. The main constraint is how to finance the deal, which would cost about $200m. Midland could not pay cash without hurting its balance sheet and displeasing the Bank of England. So it may pay with an issue of preference stock, which would have the double advantage of saving cash and bolstering the balance sheet.

As Mr McLean says: "There would be nothing more ironical than Midland going through all this to turn Crocker round, only to miss a golden opportunity to buy the whole bank."

Lombard

The purpose of obscurity

By Max Wilkinson

AN MP who asked innocently about the costs of public transport, received the following reply:

"I enclose a copy of table 2.6 from the February 1983 White Paper—the geographical coverage of the table is England only for the sub-heads marked 6.1, 6.2 and 6.4. Great Britain for 6.3 and the UK for 6.8."

This answer, uncovered in a London Business School study this week, splendidly illustrates the first of two types of Mandarin obscurity: the accidental and the deliberate.

One of the most blatant examples of the other type of obscurity—the deliberate—is to be found on the first page of the 1982 Budget Statement. This simply "omitted to mention" the decision three months earlier to raise employees' National Insurance contributions by 1 percentage point.

The omission made it look as though the 1982 Budget was lowering the burden of personal taxation, whereas, if all the changes were taken together, tax was going up.

The distinction between "deliberate" and inadvertent obscurity is often blurred. The 1984 Public Expenditure White Paper, for example, contains no fewer than four different figures for Central Government's planned spending in the current year. The largest is £3bn greater than the smallest.

The reasons for the discrepancy might well be thought so obscure that they are of no importance. But that would be a mistake.

The Treasury has moved a chess-man into place. It may not know yet how, or even whether, it will exploit the ambiguity, but one can bet the PSBR to an Enterprise oil share that it is alert to the possibility.

One can just hear the minister earnestly assuring the House that the opposition got its figure slightly wrong and spending was actually £3bn less.

As the business school study points out: "The British system of government places a high premium on avoiding embarrassment and one obvious way to avoid this is by disclosing information only when required to do so, and not being more helpful than absolutely necessary to those wishing to find information."

Its authors suggest a major effort should be made to present the Government's spending and tax proposals in a more appetising, and more comprehensive way: the document issued with the Chancellor's March Budget should set out all the main figures for what the Government is proposing to spend alongside details of how it intends to raise the money to pay for it all; supporting changes should be set out side by side. Moreover, it should be possible to compare the two sides of the Government's accounts without being a mental gymnast of Olympic calibre or hiring a private economic investigator.

However, the Treasury's problem is that the spending White Paper is prepared some months before the Budget, so some of the assumptions behind it may be out of date by Budget time.

The business school's idea that the broad picture should be presented at Budget time with detailed estimates from departments following later, seems sensible.

However, it would not get rid of the major absurdity of the British Budget ritual. This decrees that a huge mass of detailed figures and analysis is unleashed upon the world when the Chancellor sits down at around 5 pm.

This is far too late to allow most of the waiting press to give the proposals a careful critical reading before telling the world what they "really mean," a fact which has been cleverly exploited by Chancellors.

This doubly reinforces the need for greater clarity; but the Treasury should also look critically at the need for Budget secrecy, much of which serves no purpose but to heighten the drama of the Budget speech, and inhibits informed discussion. However, secrecy confers power, which is not often traded for enlightenment.

The Structure and Form of Government Expenditure Reports by Andrew Likierman and Peter Vass (£3.95, Certified Accountant Publications Ltd.).

Letters to the Editor

Only Parliament can tax

From Mr T. Benyon

Sir,—I refer to the correspondence concerning the controversial decision of the Law Lords in Furniss v Dawson. Critical letters usually elicit balancing comment from authority. In this matter there have been none.

The Law Lords have taken powers beyond that of interpreting legislation, enabling the courts to overturn arrangements with a tax avoidance motive properly entered into on the basis of the law as it previously stood.

There is a division between the powers of the executive, the legislature and the judiciary. Parliament does not meddle with the sentencing policies of the courts—even a suggestion by the Home Secretary of sentence reduction brought a cryptic response from the judiciary in 1981. The judges should refrain from extending the law until parliament has duly debated the matter and enacted legislation if it so wills.

Perhaps the Law Lords might extend trade union legislation or the Race Relations Act if the current practice of these laws offend their sensibilities. There is even less justification for the Lords to extend tax law. In 1911 the Parliament Act excluded the House of Lords from affecting "the imposition, repeal, remission, alteration or regulation of taxation." It is ironic that 73 years later, unelected, unaccountable Law Lords should take steps to retrospectively raise taxation while parliament turns Nelson's eye. Possibly this blindness results from windfall revenue which has accrued and the political embarrassment of the jammed courts and the difficulty of enacting anti-avoidance legislation, solved without debate and without a vote.

Should ends justify means? I think not. The citizen should regard the courts as a protector against the excesses of executive power. In this matter the Law Lords have added to these excesses.

The purpose of laws is the pursuit of justice and the protection of men from the rule of arbitrariness. If the UK courts and parliament have forgotten this the first protocol of the European Convention of Human Rights has not. It says "No one shall be deprived of his possessions . . . unless provided for by law."

Those who wish to be taxed by Parliament and not by the arbitrary value judgment of others should take note of it.

T. Y. Benyon.
The Old Rectory,
Adstock, Buckingham.

Fiscal law reform

From the President, Institute of Taxation.

Sir,—The Institute of Taxation is indeed interested to read the letter from Mr D. Talloo on fiscal law reform (July 9) and referring to the article by Mr Eggar on July 4.

As an institute we have been pressing for what was suggested in the article for some considerable time and would emphasise that this institute is well positioned to act in such matters since it is a multi-discipline body as is indicated by the composition of the council, accountants (chartered and certified), solicitors, management accountants and chartered secretaries.

We would welcome developments in this area.

Wreford Voge,
3, Grosvenor Crescent, SW1.

Democracy and the miners

From Mr M. Greener

Sir,—It would appear that both Mr Scargill and Mr McGahey find it intolerable that the law, in the person of Vice-Chancellor Megarry, should seek to interfere with the traditional democratic procedures which operate at the National Union of Mineworkers conferences.

One can but wonder whether they seriously believe, and would have their members believe likewise, that these democratic procedures of which they speak could exist without the support of a sound legal framework. Perhaps they promulgate some new form of democracy which can operate without the rule of law.

Whether this be so or not, they might be well advised to reflect that any attempt to disenfranchise those who oppose preferred opinions is the very negation of democracy. It may well be a custom acceptable in a totalitarian state but has no place in a free society.

Michael Greener,
33, Glan Hafren,
The Knap,
Barry, S Glam.

Aught for the widows

From the Secretary General, Life Offices' Association

Sir,—Mr Richer (July 4) finds that many insurance companies when cashing life policies pay no interest on the monies held by them in the interval between the date of death of the policyholder and the time settlement is made on the production of a grant of probate or letters of administration.

A survey, however, of the practices of members of The Life Offices' Association and Associated Scottish Life Offices conducted in 1980, showed that the great majority of life offices are prepared to pay interest on death claims which are not settled within a defined period — usually two or three months after the date of death —even though there is no contractual obligation upon them to do so.

Policy monies are not due until the death of the life assured has been proved and the entitlement of the claimant established. It is the latter which can cause delays over which the insurance company seldom has control.

If any readers have experienced undue delay in the payment of a claim and been refused interest by a life office, I would be happy to look into the circumstances if they would care to write to me.

T.H.M. Oppé,
Aldermary House,
Queen Street, EC4.

The Land Registry

From Mr J. Kendall

Sir,—Mr A. Catchpole's "Fees to the Land Registry" (July 3) is a good illustration of why it is necessary to extend land registration to all titles in England and Wales.

What is the point of employing an expensive expert to investigate a title when it has already been investigated previously by (usually) another solicitor? The whole point of land registration is to cut out the necessity of re-investigating a title every time a property changes hands (which in any case is an academic nonsense). All a conveyancer has to look at is one certificate (2-3 pages long with a plan) and provided the vendor's name is shown as the current owner, that is conclusive proof that he is the owner (which the state guarantees). How can that be slower, more inflexible and a duplication of work compared to unregistered land?

The other point Mr Catchpole raises is that the fee charged either for registered or unregistered land is the same. With registered land, it is quite feasible to dispense with much of the ritualistic tribal dance most conveyancers indulge in such as local searches, requisitions on title, etc. Anything that actually affected the property would be notified to the appropriate land registry. Enquiries before contract ask a whole host of irrelevant questions which are invariably side-stepped by the vendor's conveyancer. In the vast majority of cases, there is nothing of consequence for a conveyancer to find out concerning a second-hand house.

It is quite possible for anyone who is capable of filling in forms to deal with registered land. You do not need a legally qualified person. Land registration has been a voluntary system since 1925 and despite its attractions, in the event has only benefitted conveyancers because it has made their job much easier yet they continue to charge the same fees as for unregistered land. By extending the system to all titles, individuals will be able to undertake their own conveyancing making substantial savings. The example given of costs at £1,255.80 (or whatever) would immediately drop by £782.80 (62 per cent). That would be far more benefit to house buyers than trying to perpetuate a dual system of registered and unregistered land.

J. A. Kendall.
Green Acre, Tutbury,
Burton-on-Trent, Staffs.

Join the EMS club

From Mr W. Grey

Sir,—Your comment (July 7) in the light of the latest "sterling crisis," that we would do better to be a "real rather than a shadow member" of the European Monetary System echoed what others have been saying all along. The EMS has now been in business for over five years.

The point about this no longer experimental system is not that it is a lifeboat for the weak, though mutual help is of its essence, but that it is a trigger mechanism for alerting one and all when things are going wrong in either direction, both when it is time to tighten the screw and when it is time to let up. Who can say with certainty that Britain, too, would not have benefited from such forewarnings during the past five years?

Of course, the mind boggles at the thought of what might have been if other currencies (no names, no packdrill) had been fully paid-up members of the club as well.

W. Grey,
12, Arden Road,
Finchley, N3.

Shakespeare was a Yorkshireman

From Mr P. Pepper.

Sir,—I was surprised to read Alan Forrest (Travel, July 7) state that Shakespeare has not been claimed as a Yorkshireman.

The Bard was originally William de Shark's Pier, who took his name from a fishing village which was taken by coastal erosion, near what is now Robin Hood's Bay: hence the variations in the spelling of his adopted name.

Only after a short career in the jet mines at Whitby, during which Othello was drafted, did he move to Stratford. The rest, as they say, is history.

Tom Pepper,
12, Aire Valley Avenue,
Bradley, Keighley,
West Yorkshire.

FINANCIAL TIMES

Friday July 13 1984

CITROËN REDUNDANCIES 'ESSENTIAL TO RECOVERY'

Peugeot chief firm on job losses

BY PAUL BETTS AND DAVID MARSH IN PARIS

M JACQUES CALVET, the head of the operating subsidiaries of the French private Peugeot automobile group, is standing firm in his bid to make at least 2,000 compulsory redundancies at the group's loss-making Citroën division.

Before a series of crucial labour union meetings starting today, M Calvet made clear that Peugeot was on the way to recovery. He emphasised, however, that time was running out for a positive government decision on the saga over big job cuts at Citroën.

For the second time in recent weeks, the French Government has rejected Citroën's proposals to make redundant between 2,000 and 2,200 workers at its French plants.

Citroën is seeking to reduce its workforce by a total of 6,000 people, or 15 per cent of its total workers, including measures such as early retirements and voluntary repatriation of immigrant workers.

After failing to return to profits in the past two years, the Peugeot group, France's biggest private-sector enterprise, is hoping to return to equilibrium this year.

M Calvet indicated losses in the first six months were considerably reduced, compared to the first half of last year. The overall 1983 net loss totalled FFr 2.59bn ($297.4m), down from FFr 3.79bn the year before.

In an effort to dispel the car group's image of a lame duck, M Calvet said foreign banks were again starting to show interest in increasing their exposure in the company, whose total debts amount to a little more than FFr 30bn.

He also said that he expected Peugeot to return to the capital markets to raise fresh funds in the next six to nine months. M Calvet, however, made clear that he intended to return to the capital markets only when his company's recovery was firmly established.

M Calvet, the former chairman of the Banque Nationale de Paris (BNP), France's largest state-owned commercial bank, insisted that the group's essential task was to reduce its workforce and bring productivity closer to levels of its primary international competitors.

"I do not think either Mr Iacocca of Chrysler or Signor Ghidella of Fiat at Auto had their time entirely absorbed for a year by the single problem of job cuts," he remarked.

M Calvet acknowledged that Peugeot posed the French government and the unions a delicate question. He also argued, however, that government procrastination was creating an intolerable psychological strain within the group and especially for its workers.

The Peugeot chief executive is hoping to use his current round of meetings with the unions to convince them that substantial layoffs at Citroën, including the controversial redundancies, are needed to enable the firm recovery of the Citroën subsidiary and the Peugeot group as a whole.

M Calvet suggested that the severe slump in the French domestic car market should not be overdramatised and said that his company was performing along the lines of his general expectations.

New car registrations on the French market, accounting for half Peugeot group's sales, are expected to total 1.8m cars this year. M Calvet had forecast 1.77m.

He had also expected that his group would take a 33 per cent share of the French market in the first half of this year. The latest car registration figures show a 33.25 per cent penetration on the domestic market for the private group, more than Renault, its French state-owned car rival.

M Calvet said no decision had yet been taken over the future of the troubled Talbot marque. He argued that it was still too early to do so and that in any event the decision would be made on the basis of the offshoot's future sales.

The labour situation at Poissy, the large Talbot plant outside Paris at the centre of violent labour clashes at the beginning of this year, has returned to normal. The car group was continuing to make a strong marketing and promotional effort for Talbot.

M Calvet insisted that he had always wanted to preserve the Talbot marque, and declared his intention to maintain the Poissy plant as a key component of his group's integrated manufacturing network.

He said the current level of annual group investments, which totalled FFr 4bn in each of the last two years and in the current year, were adequate for group's needs. He suggested that an additional FFr 1bn a year would be welcome but not vital for heavy maintenance and modernisation work.

VW's labour conflict, Page 23

Progress seen in UK-China talks on Hong Kong

By David Dodwell in Hong Kong and Our Foreign Staff

SIR GEOFFREY HOWE, Britain's Foreign Secretary, is to visit Hong Kong within the next few weeks.

Although the Foreign Office in London declined to comment yesterday on Sir Geoffrey's visit, it is bound to heighten speculation that talks between Britain and China on the colony's future have entered a new, critical stage.

Mr Richard Luce, Britain's Minister of State for Foreign Affairs, flew into Hong Kong yesterday and said that the colony's people should avoid talking themselves into a mood of crisis.

"The talks on the future of Hong Kong are inevitably long and complex," he said at Kai Tak airport ahead of two days of urgent talks with Hong Kong officials. "It is natural that there are difficulties to overcome but we are moving forward, as I am confident that we will continue to make solid progress."

Britain and China are now expected to initial an agreement in September to set out arrangements for the UK colony's transition to Chinese sovereignty in 1997, when Britain's leases on the territory run out. Mr Luce's arrival coincided with the return of Sir Edward Youde, the colony's Governor, from Peking. The 18th round of Sino-British negotiations were again described officially as "useful and constructive".

Mr Luce said the British Government was fully aware of the strains being created in Hong Kong by political uncertainty. "Pendulum *swings from optimism* to *anxiety* and back again are natural," he said, "but we need to keep a sense of perspective and to avoid talking ourselves into a mood of crisis."

During the past week, fears in Hong Kong have focused on a contested Chinese proposal for a joint Sino-British commission to watch over Hong Kong's transition to Chinese sovereignty.

Meanwhile, Hong Kong's monetary authorities seem to be preparing to raise local prime lending rates by at least a further 2 percentage points as it became clear yesterday that last week's 3½-point rise to 17 per cent had failed to halt the slide of the Hong Kong dollar against the U.S. dollar.

The Hong Kong dollar traded yesterday in a range of between 7.855 and 7.86 to the U.S. currency, well outside the 7.80-7.82 range taken as a peg for the Hong Kong dollar after last October's monetary crisis.

Senior bankers said yesterday, however, that the slide of the Hong Kong dollar had less to do with political uncertainty than with the continued strengthening of the U.S. currency.

The Hong Kong dollar has stubbornly refused to strengthen back to the 7.80 level despite overnight interbank rates ranging from 30 to 40 per cent over the week.

As a result, bankers predicted further "shock treatment" on interest rates after Hong Kong Association of Banks holds its regular weekly meeting tomorrow morning. They forecast a prime rate of at least 2 percentage points higher

One bank treasurer commented: "We are just hoping to wear the market down, because the alternative – of shooting the peg against the U.S. dollar – is out of the question. There can be no doubting that what market operators are doing at the moment is proving cripplingly expensive to them."

Stock Markets, Section III

THE LEX COLUMN

Thorn jumps into the frying pan

Despite a tactful reminder from Mr Lawson that sterling might even now be overvalued, the markets were prepared to give a trial to the mixture of 12 per cent base rates and a pound which at least remained well clear of $1.30. And although equities gave a convincing impression of early collapse, the jobbers rattled their prices down far too fast for would-be sellers to keep up. So the day did not end in tears after all.

Thorn EMI

The whirlpool which swallowed Thorn EMI's shares was conspicuous even amidst yesterday's seething waters and betrayed a nasty current of market misgivings about the group's prospects. At 474p, down 43p, the shares have fallen 23 per cent since the day before Thorn dropped its British Aerospace merger idea on them.

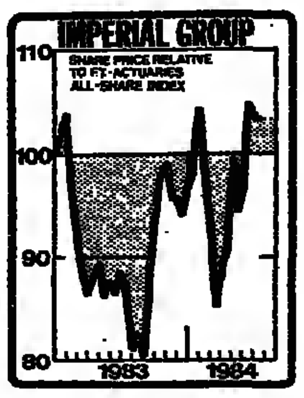
This could be some measure of the City's loss of confidence in Thorn's boardroom over the period, and the same is evident in the harsh reactions to the 1983-84 preliminary statement.

Pre-tax profits of £156.8m met most expectations, but the indications given at the same time about current trading results were apparently enough in themselves to make Thorn an obvious victim of consumer spending doubts. This may have deprived Thorn's proposed acquisition of Inmos of a fair hearing into the bargain.

Concern about the Inmos deal is that it might emerge, as it were, as a BAe merger writ small. Chip manufacturers are notorious cash drains and have suffered from highly volatile earnings. Were Inmos's earnings next year to swing into sizable losses rather than a healthy advance on this year's projected profit of £13m or so – the company will pay no tax – then Thorn could indeed find itself facing yet another pressure on its balance sheet.

Net group borrowings are already 48 per cent of shareholders' funds and look set to grow by another £20m in 1983–84 even before taking account of the Inmos purchase funds. Thorn will now have no real option but to use borrowed cash.

None the less, it seems to be paying a sharp enough price, marking an exit p/e of about 9½ for Inmos. Thorn has little interest for the moment in fancy notions of vertical integration and is buying a business



with exciting growth prospects where capital investment can presumably be tailored to results.

Meanwhile, nothing has happened in the consumer electronics division seriously to disrupt Thorn's broad cash flow projections as both the VCR and TV rental bases shrink further, but the City's pre-tax forecasts for the current year reflect acute uncertainty even on this more familiar front. It all looks a case for some urgent fence mending.

Imperial Group

There were those poor souls in the market who were looking forward to the Imps results as a bright spot in a bad week. The outcome – interim pre-tax of £90.7m – was a good £5m short of their hopes. But the company itself played this casually, offering plausible reasons for the shortfall and painting a bright picture for the second half. It says much for the goodwill attaching to a relatively new management that the market took this so well.

Tobacco sales to the trade, it now appears, were depressed in the first two months of the period, retailers having stocked up heavily right at the tail end of the previous year ahead of a 2p price increase. Given that another 2p went on prices in January, the 3 per cent drop in tobacco turnover in the first half is clear proof of a fall in volume. But market share was apparently held, at around 43-44 per cent; and divisional margins seem to have benefited handsomely from the cost-cutting programme.

Shorn of £6m from property disposals, profits from brewing and leisure stood still, with the increase in beer sales being offset by major investment in exciting theme pubs and enticing Happy Eater outlets.

There is no disguising the worry, though, about HoJo's relapse into significant loss. Acute seasonality means that HoJo's first half can be highly geared around break-even; but the history of this acquisition is not one to reassure the nervous.

Speaking of doubtful acquisitions, there is no getting away from Imps' strategic problem in the longer term. The group belong to that great band of companies whose past answer to declining markets was to diversify unwisely while neglecting the basic business. Now rid of its mistakes, Imps can produce growth this year – to £220m, say – by putting the old businesses back into shape. But even by next year, it may be necessary to brave the acquisition trail again.

Rank Organisation

It is hard to remember Rank last produced a set of figures that surprised the market by looking rather good. The new managerial team has started quite encouragingly on the long-overdue process of bringing Rank's straggling portfolio up to scratch. On a very difficult day for equities, Rank's shares were one of the rare gainers, up 8p to 220p; a conspicuous vote of confidence.

An improvement in returns from businesses actually run by Rank was, for once, the main contribution to markedly better pre-tax profits, up 27 per cent to £47.8m in the half-year to May despite a rather flat result from Rank Xerox. This represents an efficient first sweep with the new broom – there is around £2m of common-or-garden loss-elimination – and an inflow of £31m cash from some early disposals shows that Rank is at last doing the obvious things to straighten itself out.

There has also been a stroke of luck, in the shape of a bonanza in the London hotel trade, which has made the going easier. Albeit at the apparent price of making Rank wonder whether it ought – after all – to hang on to assets which have been a disaster for most of their existence.

Property sales, however, are definitely to be expected, if only to shed the bid-provoking embarassment of a Mayfair head office. This sort of action will indeed help to keep the institutions onside for a while yet; but a hint of the longer-term strategy would also come in handy before long.

Insurers raise Gulf premiums

By Stewart Dalby in London

WAR RISK insurance premiums for the value of hulls of ships going to Gulf ports excluding Iran and Iraq have been raised to 0.375 per cent for seven-day cover from 0.25 per cent, marine brokers in London said.

The reason is twofold. First, the London market was surprised that it was a British tanker, the BP-owned British Renown, that was hit by Iranian missiles this week. The British Foreign Office said it had protested sharply to Iran about the incident, in which there were no casualties. It was only the second attack on a British vessel in the Gulf this year.

Second, such attacks as there have been recently have been against vessels leaving or going to Iraqi or Iranian ports.

Rates for vessels going to the main Iranian terminal at Kharg Island are unchanged at 5 per cent. Earlier this year they were 7.5 per cent. That is largely because, despite attacks by both Iranians and Iraqis this week, the overall level of strikes has diminished since the United Nations Security Council passed a resolution in early June calling for the right of free navigation through the Gulf.

Higher level of rates, combined with fewer attacks, were behind the decision announced yesterday by Japanese shipowners and seamen to send tankers back to the north of the Gulf. The two sides stopped sending vessels to the area, including Kuwait, in May after attacks on tankers.

In London, brokers work on the basis that the average value of a tanker is $8m, although elsewhere brokers refer to an average value of $20m. This year, London insurers are believed to have paid more than $120m in claims. Premium income over the same period is put at $50m. With Lebanon, where hull cover is 0.1 per cent, the Gulf is one of the highest war risk areas covered by London.

Shippers normally take out an annual war risk insurance cover which costs 0.1 per cent of hull value. Cargoes can cost up to twice the value hull cover, but last month some of the Gulf states, led by Saudi Arabia, agreed to compensate buyers of oil shipped from their ports for any lost in attacks on tankers.

Yesterday, Iraq said its forces had set fire to a large vessel in the Gulf.

Shipping strike in Spain, Page 2

Japanese give final go-ahead for satellite-launching rocket

BY ROBERT COTTRELL IN TOKYO

THE FINAL blueprint for a Y200bn ($826m) satellite-launching rocket, the HII, has been approved by Japan's Science and Technology Agency.

The rocket is the last launcher envisaged in the country's 15-year space programme drawn up by the Space Activities Commission, the policymaking body that reports to the Prime Minister. The project is likely to result in big contracts for Japanese companies.

Those are likely to include Mitsubishi Heavy Industries, Nissan Motor Company, Ishikawajima-Harima Heavy Industries and Kawasaki Heavy Industries.

Development of the rocket is to begin next April, with a test launch scheduled in 1991-92.

The HII will be a two-stage rocket, capable of launching into geostationary orbit a satellite weighing up to 2 tonnes (a satellite in geostationary orbit maintains a fixed position relative to the earth).

It will use a liquid oxygen and hydrogen propulsion system, with two solid fuel strap-on boosters, capable of generating a combined first-stage thrust of 355 tonnes.

The HII will succeed the HI rocket, which is scheduled for its first launch next year. The HI also uses liquid hydrogen/oxygen propulsion, but can launch only satellites weighing less than 550 kilograms.

Most recent Japanese satellite launches have used the NII rocket, which burns solid fuel and which has the capacity to lift satellites weighing up to 350 kilograms into geostationary orbit.

Implementation of Japan's space programme is largely the responsibility of the National Space Development Agency of Japan (Nasda), which reports to three government ministries, including the Science and Technology Agency.

Nasda plans to launch 12 satellites during 1985-91, for earth observation, communications and broadcasting applications, and basic technological research.

It is also co-ordinating applicants for an experimental payload which Nasda has "booked" on the U.S. space shuttle in 1988.

The Japanese Government is considering participating in the permanent space station project envisaged by President Ronald Reagan of the U.S.

While Mr Yasuhiro Nakasone, the Japanese Prime Minister, is thought to favour participation, he may have difficulty in persuading other ministers and officials to accept the financial commitment, perhaps of more than $1bn.

Paris rescue under way for Creusot-Loire

By Paul Betts in Paris

THE FRENCH Government said last night an industrial solution was being worked out to save Creusot-Loire, the bankrupt heavy engineering group.

This plan envisages the takeover of the principal activities of Creusot-Loire by a new concern to be specially set up, the French Industry and Research Ministry disclosed last night.

The ministry said the rescue plan would be submitted to the Paris commercial tribunal after a series of new consultations between the ministry and the trade unions.

A progress report on the state of the negotiations to try to salvage the private engineering group, which was placed under official receivership at the end of last month, was due to be made public by the Government today.

The Industry Ministry said the rescue plan being worked out would maintain "the industrial coherence of the main activities of Creusot-Loire." The plan could be put into place rapidly.

A company would be formed to take over the main industrial activities of Creusot-Loire. This would involve the grouping of a number of industrial concerns including, in particular, Framatome, the French nuclear reactor company at present 50 per cent owned by Creusot-Loire and 50 per cent owned by the French atomic energy commission.

The Industry Ministry said a group of banks would take part in the capital of this new company.

ARA Services rejects $722m buyout bid

BY PAUL TAYLOR IN NEW YORK

A GROUP of individual and institutional investors yesterday offered to take ARA Services, the U.S. international catering, transport, distribution and health care management group, private in a deal worth about $722m.

The offer was immediately rejected as inadequate and not in shareholders' best interests.

ARA, which is based in Philadelphia, is one of the world's largest management services companies, with revenues last year of more than $3bn and net profits of $54m.

Among the principal contracts it handles is the catering and transport contract for the 1984 Los Angeles Olympic Games.

The $60-a-share offer was made by an investment group led by Mr William Siegal, a former executive vice-president of operations at ARA services, private investors from Texas, and institutional investors led by Drexel Burnham Lambert, the Wall Street securities firm.

Under the terms of the plan, the deal would be structured as a leveraged buyout with ARA's management taking a big minority stake in the new company.

The investment group said yesterday that it had held discussions with ARA's management and with an unnamed New York city bank, which would provide part of the financing for the deal.

Mr Siegal said his investor group expected no substantial obstacles to financing the buyout. Aside from the bank financing and new equity provided by the private investors, the institutional investors would provide additional financing for the buyout.

The deal is subject to completing financing arrangements and to shareholder approval.

ARA's share price closed on Wednesday at $49.25 and the opening was delayed yesterday.

Bundesbank holds rates

Continued from Page 1

been taking advantage of the dollar's strength to replenish their reserves of D-Marks, at the time supporting the Bundesbank's intervention.

The European central banks recognise that unless the U.S. changes its policy of non-intervention they cannot reverse the trend towards a higher dollar without raising interest rates.

European intervention can, however, create sufficient uncertainty to limit the speed of the rise, they believe.

There is less confidence among the central bankers, however, that the long-predicted fall in the dollar is any closer.

Our Economics Staff writes: On the London Stock Market yesterday, the FT industrial ordinary share index fell by more than 23 points at one stage but recovered somewhat and ended the day 10.9 points down at 771.1. Equities, however, have lost 5 per cent of their value this week.

Government security prices also rallied, although long-dated gilt-edged stocks finished the day about ½ points lower than on Wednesday.

Those movements reflected uncertainty about whether the rise in base rates to 12 per cent would be enough to prevent a further slide in sterling.

UK 'will not be hurt'

Continued from Page 1

The British Government, he said, did not have targets for either the exchange rate or interest rates. In particular, he rejected suggestions that the Government might consider linking sterling to other EEC currencies in the European Monetary System.

The Chancellor argued that even though the industrial unrest had undoubtedly affected financial markets, Britain's vulnerability to such disruptions had been dramatically reduced.

The opposition Labour party leader, Mr Neil Kinnock, accused Mrs Thatcher of "blaming everybody but herself."

Dealer accused over Eurobonds held in custody

By John Wicks in Zurich

A GENEVA court yesterday decided to hold on remand for 90 days Mr Peter Buer, former chief trader of Bear, Stearns International, who is charged with involvement in fraudulent Eurobond deals.

The judge refused to release Mr Buer on bail in view of the gravity of the case, the possibility of collusion and the complexity of the investigations.

Defence counsel pleaded against a trial under Swiss law, in that Mr Buer was a British subject working for an American firm based in London.

The investigating magistrate has already given her opinion that such a trial is possible, however. Mr Buer is alleged to have received a sum of $100,000 from a Mr Sisto Lardi, an architect who was charged on Wednesday with complicity to defraud.

Mr Lardi is understood to be the holder of an account at the Banque Romande in Geneva which was used to hold profits from the deals.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by G.T.S. Damer, Frankfurt/Main, F. Barlow, R.A.F. McClean, M.C. Gorman, D.E.P. Palmer, London, as members of the Board of Directors. Printer: Frankfurter Societäts-Druckerei GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main.

SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Friday July 13 1984

INTERFIRST RESULT REFLECTS LEGACY OF ENERGY LOAN LOSSES

Chemical Bank profits up 10%

BY PAUL TAYLOR IN NEW YORK

CHEMICAL BANK, the sixth-largest U.S. banking group in terms of year-end assets, yesterday reported a 10 per cent increase in second-quarter net earnings to $76.785m.

Chemical was among the first of a group of major U.S. money centre banks to report their eagerly awaited second-quarter earnings yesterday. Others included Marine Midland, InterFirst and Irving Bank.

Chemical's second-quarter earnings, equivalent to $1.45 a share, compared with net earnings of $69.66m, or $1.45 a share in the same period last year. The per-share figures reflect the sale of additional common stock.

First-half earnings increased to $158.13m, or $3.03 a share, compared with $141.19m, or $3.08 a share.

Marine Midland, which is majority owned by the Hongkong and Shanghai Banking Corporation, increased its second-quarter net income by 12.2 per cent to $26.4m, or $1.24 a share, compared with $23.5m, or $1.09 a share. First-half earnings grew to $50m, or $2.29 a share, from $46.93m, or $2.28 a share.

InterFirst, the Dallas, Texas-based banking group which was battered by losses on its energy portfolio in the third quarter last year, reported a further slight improvement in quarterly earnings, although they remain sharply below corresponding 1983 levels.

Net income of $13.4m, or 20 cents a share, in the latest period compares with $9.6m, or 14 cents a share, in the first quarter and $31.8m, or 58 cents a share, in the 1983 second-quarter.

InterFirst's problems were highlighted last year when it reported a $194.2m third-quarter loss – the largest ever reported by a U.S. banking group – after taking $334m in write-offs. The bank was subsequently forced by the Securities and Exchange Commission to increase its reported loss to $243.5m.

The lastest quarterly results lifted InterFirst's first half net earnings to $23m or 34 cents a share from $69.2m or $1.21 a share in the same period last year.

Mr Robert Stewart, who took over as chairman and chief executive in January after the resignation of Mr Elvis Mason, said the bank's earnings continued to reflect non-performing assets and other pressures on net interest margin. Nevertheless, he was pleased to note a number of "positive indicators."

Net interest margin increased from 3.53 per cent in the first quarter to 3.94 per cent in the latest period compared with 3.99 per cent a year ago.

Net loan charge-offs were $59m in the quarter, down from $69.2m in the first quarter. So far this year the bank has charged off $128.2m in loans against $81.8m in the same period last year. The reserve for possible loan losses now stands at $236m or 1.59 per ceot of loans outstanding.

Non-performing loans et the end of the secood quarter stood at $816m compared with $754m a year ago and $866m at the end of the first quarter.

Irving Bank reported a 10 per cent increase in second-quarter net earnings to $26.3m, or $1.38 a share, compared with $23.8m, or $1.26 a share, in the same period last year. Six-month earnings increased to $52.96m, or $2.79 a share, from $47.87m, or $2.52m, in the 1983 first-half.

Mr Joseph Rice, chairman, said an increase in net interest income to $ 132.4m from $118.6m a year ago and higher non-interest income were the primary fectors behind the earnings gain. These were partly offset, however, by a $1m increase in the bank's loan loss provision to $7.5m, higher non-interest expenses and higher effective tax rates.

Non-performing loans increased to $298.8m, or 2.63 per cent of total loans, at the end of the quarter, compared with $275.7m, or 2.74 per cent, at the same time last year. The latest figures include $61.8m of noo-accruing Argentine loans

Lockheed earnings up 15% in quarter

By Terry Dodsworth in New York

LOCKHEED'S restoration to financial health, underscored by its receot decision to resume dividends, was reflected in yet another strong profits advance for the Californian aerospace group in the second quarter, when net income rose by 15.7 per cent from $68m a year ago to $78.7m.

Earnings per share rose from $1.06 to $1.21, while sales soared by 21.3 per cent from $1.59bn to $1.93bo. Over the first six months, net income showed an even greater increase, rising by 22.4 per cent from $119.8m, or $1.94 a share, to $146.4m, or $2.26 e share.

First half turnover rose by almost 17 per cent from $3bn to $3.5bn.

The order position also remained strong, although the indications are that demand is now flattening out after the rapid increases earlier in the current U.S. expansion.

Westinghouse up 33% despite modest sales rise

BY OUR NEW YORK STAFF

WESTINGHOUSE Electric, the U.S. electrical, industrial and broadcasting group, yesterday reported a 33 per cent advance in second-quarter profits. Sales rose by 7 per cent.

Net income for the three months to the end of June was $128.1m, or 72 cents a share, against $96.4m, or 54 cents a sbere, a year ago. Sales rose to $2.56bn from $2.39bn.

First-half earnings advanced $244.7m, or $1.38 a share, up 24.4 per cent on the $196.7m, or $1.11 e share, in the same period of 1983. Sales for the six months were $4.83bn, compared with $4.67bn.

The most notable feeture of the second quarter was a recovery in the turnover of the industries group, which supplies capital goods and services to the industrial, construction and utility markets. The U.S. expansion has been slow to reech thet area, but Mr Douglas Danforth, chairman, said thet the sales increase in the division had been encouraging and that improved order rates were continuing.

Sales also rose in the commercial, broadcasting and cables divisions, but declined slightly in the energy and advanced technology businesses.

The energy and advanced technology groups increased operating profits, while the profit of the broadcastiog and cable groups were on about the same level as last year.

Recovery in aluminium prices aids Reynolds

By Our New York Staff

REYNOLDS Metals, the second largest U.S. aluminium producer, has echieved a dramatic profits turnround in the second quarter, thanks to the continuing recovery in aluminium prices.

Earnings emerged at $37.3m, or $1.74 a share, against a loss of $69.1m, or $3.55 a share in 1983, and showed a significant gain over the $22.3m profit achieved in the first quarter.

Mr David Reynolds, chairman, said the company's emphasis on high value-added products, along with continued cost reductions, productivity improvements and higher operating rates had all given an additional boost to increased prices in helping the profits improvement.

He said there had recently been a slowing in new order rates and softer prices for certain products, but he expected the aluminium business to strengthen in the letter half of the year, with industry shipments up about 11 per ceot for the full 12 months.

Reynolds' own deliveries amounted to 297,800 tons in the second quarler against 296,900 tons in the same period of last year and 306,300 tons in the first quarter.

Sales in the second quarter amounted to $1bn, up from $853.4m, and for the first six months were $1.95bn compared with $1.6bn. Earnings for the first half came to $59.8m, or $2.77 a share, against a loss of $129.3m, or $6.66 a share.

● Alcoa, the major U.S. aluminium producer, has concluded protracted oegotiations with Construtora Camargo Correa, the leading Brazilian construction company, for the sale of over a third of its Brazilian subsidiary, Alcoe Aluminio S.A.

Under contrects signed in Pittsburgh on Tuesdey, Camargo Correa will subscribe to $240m worth of new shares in Alcoa Aluminio over the next two years.

Further strong growth for U.S. chip maker

By Louise Kehoe in San Francisco

INTEL Corporation, the California semiconductor maker, has reported earnings of $54.6m or 47 cents per share, for the second quarter ending June 30th, up from $24.3m or 22 cents per share for the same period last year. Revenues were £410m against $250.5m in 1983.

Like other U.S. chip makers, Intel has experienced a dramatic increase in demand for its integrated circuits. "We have completed our fifth consecutive quarter of very strong growth," said Intel chairman Mr Gordon Moore, "and we expect to see continued growth in our shipments."

"Frantic buying" of chips, however, has "moderated somewhat" said Mr Moore.

Intel said that its microprocessors – the devices used to build small computers, – are doing particularly well and that the company's efforts to increase production of its high performance 80186 and 80286 are "progressing ahead of schedule." Shortages of these parts has had a serious effect upon makers of high performance personal computers including Tandy Corporation.

Consumer products side boosts GE

BY OUR NEW YORK STAFF

GENERAL ELECTRIC, the diversified U.S. manufacturing group, bas reported an 11 per cent increase in second-quarter net income led by a strong performance by its consumer product businesses. The company said asset sales scarcely affected earnings during the quarter because they were offset by balance-sheet restructuring provisions.

Second-quarter net income increased to $579m or $1.21 a share from $521m or $1.15 a share in the same period last year. Sales fell by $60m to $6.86bn, mainly because of the disposal of Utah International and GE's housewares business.

Mr John Welch, chairman, said that after adjusting for those dispositions, sales were 8 per cent higher in the quarter and 7 per cent up in the first half. The second quarter boosted net income for the first balf to $1.084bn or $2.35 a share on sales of $13.25bn, compared with $946m or $2.08 a share on sales of $12.82bn in the 1983 period.

Mr Welch said GE's second quarter had three significant aspects: "continued favourable impact of strong operating efficiencies from ongoing productivity investments; use of gains from Utah and housewares dispositions for additional restructuring of reserves and asset revaluations to improve the company's long-term competitive position; and implementation of several major development activities in order to add to future earnings growth."

The GE chairman said the strength of the group's operations was evident in the "excelleot" operating margin, which equalled 10.5 per cent of sales for the secood quarter "even without the relatively high margin contribution of Utah." He said particularly strong operating results were achieved by consumer-driven businesses such as large appliances, appliance components and lighting "which continued to experience higher volume as well as greater productivity."

Mr Welch added that similar improvements were reported by the company's high-technology materials and aerospace businesses and nuclear fuel and services.

The company said that gains before tax resulting from the two large disposals were $527m after providing for future contractual obligations. That gain was offset by a $475m reserve established by the company

Data Systems puts Raytheon into the red

By Terry Byland in New York

RAYTHEON, the major U.S. defeoce, aerospace and energy services company, lifted second-quarter net earnings from continuing operations to $85m, or $1 a share, against $78.6m, or 91 cents.

The figures exclude a $96.4m loss, as expected, on the sale of its Data Systems division, which produced a final net loss for the quarter of $11.4m, against a profit of $77.8m.

Half-year net earnings from cootinuing operations edged up from $149.4m or $1.77 a share to $164.8m or $1.94, while final net, after the loss on the disposal, was $67.7m, which compares with profits of $150.7m.

Sales for the first six months rose from $2.78bn to $3.02bn, with $1.52bn ($1.45bn) in the latest quarter.

The electronic systems division showed continued growth in the second quarter, said the board, and U.S. Government order backlogs topped $4bn, against $3.3bn a year ago. But the energy services division, although profitable, was behind the previous year, because oil industry exploration remained sluggish.

Special gain lifts Teledyne

By Our New York Staff

TELEDYNE, the Los Angeles-based diversified manufacturing group, yesterday reported sharply higher second-quarter net earnings fuelled by a $282.8m gain oo the sale of lovestments.

The conglomerate also reported sharply higher per-share earnings resulting from its mammoth $1.73bn sbare buy-back scheme completed last month with the purchase of 8.7m shares at $200 a share. The company said the average number of shares outstanding for the latest quarter was 17.23m compared with 20.52m a year ego.

As a result, Teledyne said second-quarter net earnings increased to $355.7m, or $20.65 a share, compared with $72.8m, or $3.54, in the corresponding period last year.

U.S. health care sector problems hit Baxter

BY OUR NEW YORK STAFF

BAXTER Travenol Laboratories, the U.S. manufacturer of medical care products, gave a clear pointer to the current difficulties of the U.S. health care industry yesterday when it announced an 11 per cent decline in second-quarter earnings from $53.5m, or 38 cents a share, to $47.4m, or 34 cents.

The fall follows a first-quarter drop in net income of 28 per cent, and was accompanied by e warning from the group's president, Mr Vernoo Loucks, that it was unlikely thet the company would be able to post an advance in operating profits for the full year.

Mr Loucks blamed the lower level of U.S. bospital activity caused by constraiots in the Governmeot's Medicare programme, with the continuing strength of the dollar, for putting pressure on profits.

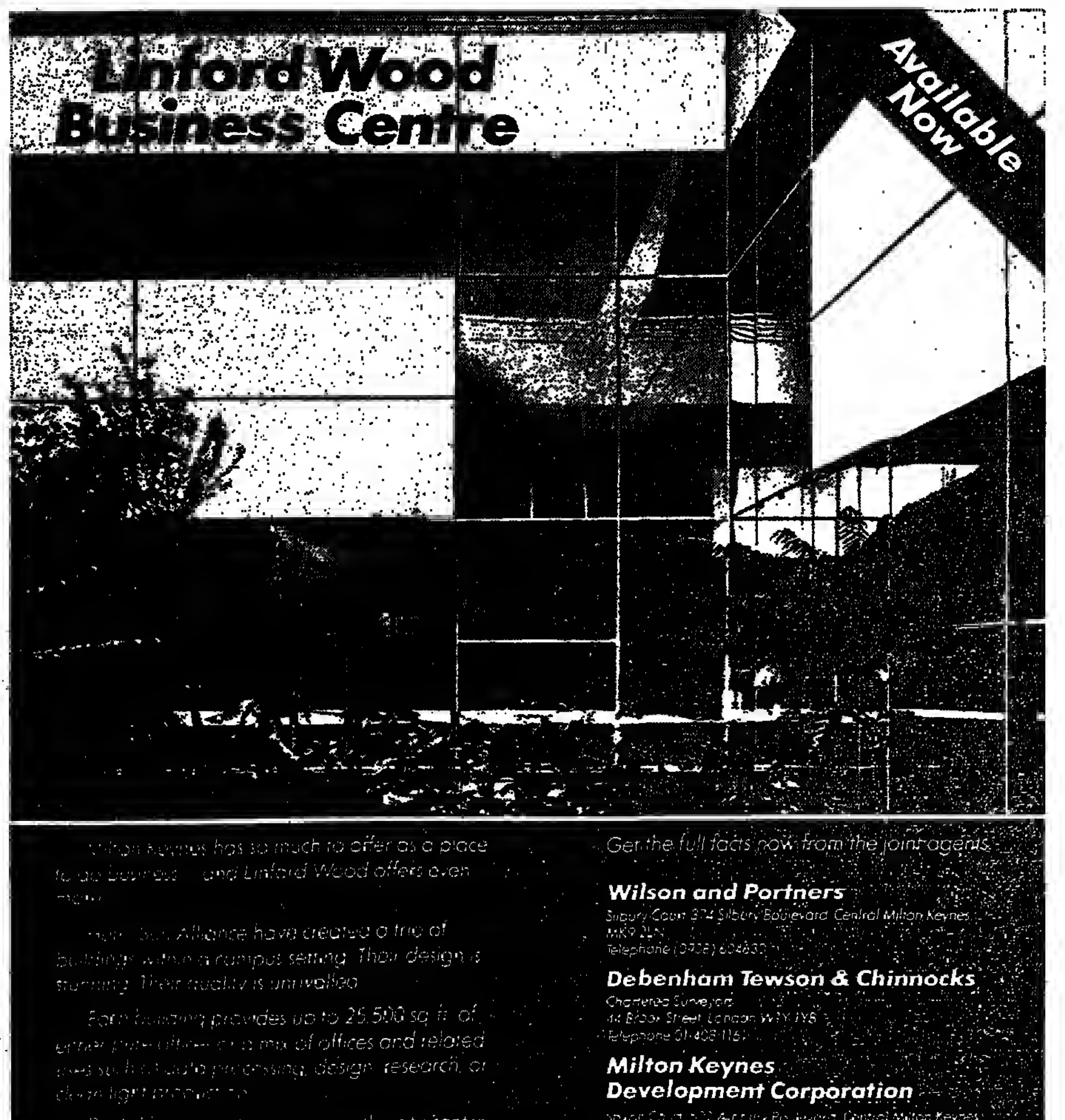
Sales for the second quarter amounted to $473.5m, a 2 per cent increase over the $464.6m achieved in the comparable period of 1983, but fell by 2 per cent in the six-month period from $894.1m to $874.1m.

Net profits for the first half were down by 19 per cent, from $102.4m, or 72 cents a share, to $82.9m, or 59 cents.

The company said that, despite the rise in the dollar, sales in overseas markets bed been stronger than at bome.

Operating expenses for the querter were unchanged from 1983, despite a 22 per cent rise in research and development expenditure.

In contrast, American Hospital Supply, the largest distributor and an increasingly important manufacturer of hospital and laboretory supplies, lifted second-quarter net profits from $52.8m or 71 ceots e sbare to $59.8m or 82 cents.



Robert Cotterell reports from Tokyo on the latest diversification move by Minebea

Ball bearing maker adds chips to the menu

THE TOKYO headquarters of NMB Semiconductor is filled mainly with empty desks. In one room is an architect's model of NMB's proposed new factory in nearby Tateyama. In anothar room are wall-maps illustrating the commuting distances between Tateyama and Tokyo, and between Tokyo and Colorado Springs in the U.S.

Colorado Springs is the U.S. baae of Inmos, the British government-controlled microelectronics group which recently agreed to licence to NMB the technology to manufacture a 256 kilbyte dynamic random access memory (256 d-ram) microchip, the component which providea memory capacity for computers.

Tha 256k chip, is just entering mass production in Japan and the U.S. as the most powerful, state-of-the-art standard chip. NMB's production of such chips will take it into head-on competition with some of the world'a largest electronics firms, including Hitachi, NEC and Fujitsu.

Analysts watch the situation with interest. Not only does NMB Semiconductor lack a track record in integrated circuit making: it is a recently-formed company with no track record at all.

Its principal sponsor ia Minebea, a Japanese firm whose traditional line of business is making precision bearings. Minebea, in an un-Japanese fashion, is hiring-in from other firms the trained brains wbich it needa to run its semiconductor offshoot. It has already recruited a president for the new company, 66-year-old Mr Takumi Tamura, from the semiconductor subsidiary of the electrooics group Sanyo.

The empty desks at headquarters office are awaiting other agreed defections.

NMB Semiconductor is out to prove the contention of Mr Takami Takahashi, Minebea's forthright boss, that the difficulties of producing high-tecb silicon chips are greatly exaggerated. NMB is not disclosiog its total cash investment in the project, but outside estimates put it at around $200m.

Mr Takahashi joined Minebea—the name ia a contraction of "Nippon Miniature Bearings"—in 1959, when it was a ball bearing maker with annual sales of $170,000. In the financial year to September, Minebea's sales totalled the equivalent of $470m reflecting a diversification away from ball-bearings to include the manufacture of personal computer keyboards, loudspeakers (bought from Sony last year), defence electronics components, precision motors and electronic calculators.

Mineabea, however, remains the largest manufacturer of precision bearinga in the world, with an estimated one-third share of the U.S. market.

By any standards and particularly by those of Japan, Mr Takahashi is an aggressiva businessman. He bas made it

Mr Takami Takahashi—"I could sell 90 per cent of the output by myself"

Minebea's stated policy to grow through acquisition, mainly of manufacturing facilities which bring component production in-house.

He has opened 18 manufacturing plants overseas, the largest in Singapore and Thailand, to take advantage of lower taxea and labour costs; and in the U.S. to lessen trade friction.

Only last week, Minibea made its largest acquisition move to date by bidding $110m for New Hampshire Ball Bearings, a specialised U.S. compaoy with a strong foothold in the military market. New Hampshire, wbose management bas been asked to stay on io the avent of the take-over succeeding, said it is actively considering the bid. Last year's sales were $55m, about half of wnicb were for the military market.

However, recent rapid expansion has depressed Minebea's net profits, which fell from Y2.2bn ($9m) in 1981-82 to Y1bn in 1982-83. Mr Takabashi says that, with heavy investment in Singapore now completed, profits should rebound sharply this year and next.

An economist by training, Mr Takabashi describes himself as a "production man." He works in an office which is almost ostentatiously scruffy, and refuses to credit the process of silicon-chip manufacture with any particular mystique. He believes that tbe skills which Minebea has perfected in the mass production of miniature bearings are transferable to the manufacturing of semiconductors.

Inmos bas agreed to buy half of NMB Semicooductor's production. The two companies will also work together towards a 1 megabyte chip—the next generation product capable of storing 1m pieces of information.

NMB's Tateyama plant is scheduled to be producing between 1m and 2m chips monthly by the end of next year. While NMB is not being too specific about projected production levels, it appears to be hoping to raise output significantly beyond tbe 2m-per-montb level in the longer term by more intensive plant utilisation, and by reducing the proportion of imperfect chips produced.

The initial capital structure of NMB Semiconductor comprises paid-up equity of Y2.5bn, 18 per cent of whicb comes from Mineba, 3 per cent from Mr Takahashi, 4 per cent from Mr Tamura, 54 per cent from three Japanese venture capital funds, and the balance from Japanese banks.

Next year, Minebea will raise its sbareholding to a majority by subscribing for another Y2.5bn of equity. Mr Takabasbi says that, if all goes well, NMB Semiconductor may be seeking a public stock quotation of its own in five or six years.

By jumping straight into 256k chips, Minebea is going for the fastest-growing sector cf the semi-conductor market. This chip is likely to overtake the 64k one as the largest-selling microchip in 1985-86, with the global market perbaps reaching 100m chips annually in three years.

Minebea will be grappling for market share, however, with competitors including Hitachi, Toshiba, Fujitsu and NEC, all of which are already mass-producing 256k d-rams, and each of wblcb is likely to be prodncing at least 1m chips monthly by next spring. If Minebea did prove itself an efficieot manufcaturer, it would still remain vulnerable to tbe pricing and production tactics of far more powerful competitors. Mr Takahashi is unworried. "I could," be promises, "sell 90 per cent of the output of this plant by myself."

Honda well ahead in first quarter

By Robert Cottrell in Tokyo

HONDA MOTOR has reported consolidated net profits for the three months to May 31 of Y28.5bn ($117m), np 38 per cent on last year's Y20.7bn.

Sales for this opening quarter totalled Y669bn, 20 per cent np on the Y558bn in the first quarter of 1983-84. Of the sales total, 28 per cent (Y185bn) arose in Japan, and 72 per cent (Y484bn) overseas.

Honda said its improved profitability reflected curbs on selling and administrative overheads, which accounted for 18 per cent of sales, against 20.7 per cent a year earlier.

Antomobile sales rose by 21 per cent year-on-year in unit terms, to 310,000 nnits, and by 36 per cent in valne terms, to Y393bn, representing 59 per cent of total gronp sales.

By market, 96,000 automobiles were sold in Japan (93,000 a year earlier) while 214,000 were sold overseas (164,000 a year earliar).

Motorcycle sales volume fell by 15 per cent, to 747,000 units, and by 9 per cent in valne terms, to Y142bn. Domestic sales volume fell from 428,000 motorcycles in the first quarter of the last fiscal year to 299,000 in this year's comparable period.

But stronger demand in the U.S. supported sales volume overseas, where unit sales of 448,000 compared with 451,000 a year earlier.

Sales of power prodncts, including generators and lawn mowers, rose by 28 per cent to Y39.6bn in the quarter, while sales of parts rose 14 per cent to Y94.7bn.

In its most recent full fiscal year, to February 29 1984, Honda reported consolidated net profits of Y95.6bn, up by 32.3 per cent on the year before.

● Mitsubishi Bank, one of Japan's leading commercial banks, is to co-operate with IBM Japan, Japanese subsidiary of the U.S. computer group, to develop and market a cash management system for smaller Japanese financial institutions.

SINGAPORE PRESS MERGER

Publishers baulk at costs of competing

BY CHRIS SHERWELL, SOUTH EAST ASIA CORRESPONDENT

JOURNALISTS WORKING on the Straits Times, Singapore's premier English-language daily, carried placards and wore black armbands yesterday in a demonstration of anger at Wednesday's surprise announcement tbat the island state's newspapers are all to be brought under a single holding company.

But as one senior staff member quietly pointed out, their bulky annual bonuses remain safe because tbe remarkable deal makes clear commercial sense even if it might leava readers and the Singapore Press worse off.

The deal links Times Publishing, its sister company Tha Straits Times Press, and the competing Singapore News and Publications Ltd (SNPL) in a new and still unnamed conglomerate, with a market value of more than $1.4bn (U.S.$655m). That makes it Singapore's biggest industrial group and the sixth largest company quoted on the stock exchange after four banks, and the plantation gronp Sime Darby.

One of those banks, Oversea-Chinese Banking Corporation, is tha dominant shareholder of Times Publishing. Another large Singapore bank, Overseas Union Bank, which ranks 10th on the stock exchange, is a major shareholder of SNPL.

The new company will be 58.4 per cent owned by Times Publishing, with Straits Times Press holding 25.8 per cent, and SNPL 16 per cent. At present, SNPL publishes the Singapore Monitor, an English-language evening tabloid, the Sunday Monitor and two Chinese morning and evening dailies. Straits Times Press publishes the Straits Times morning daily, the Sunday Times, the specialist Business Times, two Malay language papers, and a Chinese paper.

A statement from the company on Wednesday night promised that the status quo would remain, and worried staff were told yesterday this would last for two years. But it is difficult to see the new company avoiding a rationalisation of some sort.

Mr Lyn Holloway, a senior director of Times Publishing and of Straits Times Press, told the Financial Times that this did not necessarily mean closures, and the production of just one morning and one afternoon paper for each of the languages. "Changes must be undertaken with imagination," he said. "The papers will compete but in different markets."

This nevertheless sits uncomfortably with the intention behind the government-inspired re-structuring of the industry less than three years ago, when SNPL was created.

It was allocated two Chinese papers, and for three years was "lent" two Straits Times Press titles, the New Nation and Sunday Nation, which became the two Monitor newspapers. Tha Government then said openly it wanted two competing publishing bouses.

Nor does the move hide the harsh truth that the dnopoly created by the restructuring is now being convarted into a single, larger monopoly of awesome money-making potential.

Straits Times Press, for example, made a trading profit of S$29.3m last year on turnover of S$133.8m. Times Publishing turnover was even larger, at S$491m, with pre tax profits of S$60m. SNPL announced pre-tax profits of S$25m on a S$117m turnover.

As a result of the merger, say the three companies, they will now avoid the S$20-30m costs of a circulation war that was already shaping up in anticipation of the Monitor becoming a morning paper and Straits Times Press restarting the New Nation. Tha three will also avoid dislocating capital expenditure.

More important, the new company will be better poised to advance its communication and information technology. Singapore's telecommunication company, Telecoms, has recently raised its stake in Times Publishing to one per cent.

Inevitably, it is presumed that the Government encouraged this deal to go ahead. Negotiations took only a month, and the news came like a thunderbolt, both to the stock market and to the newspapers' staffs. Even the editor-in-chief of the Straits Times called the news "devastating."

But whether the average reader will truly suffer without the invigorating breeze of existing competition, is open to question, for he is already served an unrelenting diet of off-beat, uncritical news coverage.

Nicholas Kiwi shareholders reject takeover

MELBOURNE—Nicholas Kiwi yesterday said that its major shareholders support the board's view that the A$300m (U.S.$247m) bid for the company from brewer Castlemaine Tooheys is inadequate and unacceptable.

The major shareholders are the Nicholas and Ramsay families, who hold about 45 per cent of Nicholas Kiwi's issued capital of 73.92m shares.

Castlemaine proposed A$4.00 cash per share, or one of its own shares plus A$3.75 cash for every two Nicholas Kiwi shares.

Castlemaine shares have been trading at A$4.25. However, Nicholas Kiwi shares have been trading at about A$4.13

Reuter

Westpac and Ord Minnett in broking link

BY LACHLAN DRUMMOND IN SYDNEY

WESTPAC Banking Corporation, Australia's largest bank, has taken up a half share in the stockbroker Ord Minnett, finalising the banking-broking alignment for the three big private trading banks.

The linking of the two Sydney-based groups has been expected for some time. But initial wariness among the younger members of the broking firm and delays in finalising the regulatory environment allowing incorporation of brokers and outside shareholders have held off the marriage.

Westpac's move to a 50 per cent stake in Ord Minnett Holdings comes a week after Ord's was selected as the preferred broker for a Westpac marketing strategy which allows a sweeping of funds to and from bank accounts and other investments managed by Westpac.

Its link comes after the National Australian Bank has taken a half share in A. C. Goode, while the ANZ Bank has linked with McCaughan Dyson. Outside the trading banks the Elders Group has 40 per cent of Roach Cilley Grice, and Wardleys, the Hong Kong-owned merchant bank, has taken the maximum foreign stake of 14.9 per cent in a new firm, Rivkin.

The inevitable linkage of Westpac with a broker will allow it to match its banking rivals as they strive to become full service financial houses.

Westpac has more than A-1bn (US$833m) of funds under active management. It will now be able to step up retail efforts through its 1,500 branches, and will also have the ability to offer full underwriting and share market support services for its corporate clients in a cohesive debt-equity package.

The additional muscle will assist Ords in its underwriting and principal dealing functions, the latter having taken on a more important role since the introduction of negotiated commission in share broking from April 1.

Ord Minnett is among the top five brokers in Australia with a major presence in the equity and debt underwriting area.

The existing firm will have four Ord representatives against three from Westpac on the new holding company board. Reflecting the regulatory efforts to avoid conflict of interest, none of the bankers is from Westpac's investment management side.

Meanwhile, three of the biggest brokers—Bain, J. B. Were and Sons, and Potter Partners — have opted for independence while the government-owned Commonwealth Bank remains unconvinced of the need for a direct linkage with one broker.

Potter Partners' move earlier this week to have prospectuses for its own investment trust and share offerings by clients marketed through the national Post Office network is a sign of the innovation the more independently minded brokers are pursuing.

INTL. COMPANIES & FINANCE

VW puts strike cost at DM500m

BY JOHN DAVIES IN WOLFSBURG

VOLKSWAGEN sees little hope of resuming dividends this year because of the financial setback inflicted by the metalworkers' strike.

Dr Carl Hahn, chief executive of the West German motor group, told shareholders yesterday that the loss of production during the labour dispute would have a "negative influence" of DM 500m ($176m) on group after-tax profits for 1984.

VW said the estimated impact of the labour conflict would decline, however, as the company made up some of the lost production and lost earnings, and as it intensified cost controls.

Like almost all the German motor industry, VW was forced to halt assembly lines in late May after metalworkers went on strike at component makers and cut off the flow of car parts.

Before resuming production last week, VW and its Audi subsidiary lost production of 160,000 vehicles and sales of DM 2.8bn. Revenue during the shutdown was only a quarter of the normal level.

Dr Hahn said that the company would try to catch up, partly by working during the normal August holiday shutdown, but was unlikely to make up more than a quarter of the lost output.

He said it was too early to predict a year's financial results because of the attempt to recover ground and because of uncertainty about Latin American business. But he was very sceptical about whether the result could enable a dividend payment.

VW has not paid a dividend for two years, after losses of DM 300m in 1982 and DM 215m last year. The group turned round to a profit of DM 51m in the first quarter of this year from a loss of DM 100m in the same 1983 period.

The VW management and the supervisory board—representing shareholders and workers—came under strong criticism over the company's performance at the meeting, which was marked by tense moments and some sharp exchanges.

Some shareholders who criticised the metal workers' strike in West Germany were at times interrupted by boos and whistles from VW employees at the meeting.

Dr Hahn said that the labour conflict would show up with a "painful" impact on VW's financial result for the first half of this year.

Dr Carl Hahn: ground for optimism

But he said there was also ground for optimism and VW's position was basically solid, despite negative influences, mostly outside the company's control.

He said that economic conditions were favourable and VW had in many ways strengthened its international competitiveness. For the first five months of this year, deliveries to customers in Germany had improved by 1.2 per cent to 349,000 vehicles.

But with the assembly lines halted throughout last month, deliveries to customers in June were down 46.8 per cent at only 45,000 vehicles. As a result deliveries in the first half year were 8.2 per cent lower than a year ago at 394,000.

Dr Hahn said that the effects of the shutdown would show up in export sales this month. In the first half-year, sales in West European export markets were up 2.1 per cent to 332,000, while U.S. sales were up 34.8 per cent at 142,000.

He added that the company had increased the capacity to produce Golf and Jetta models, and proposed to hire 1,000 extra workers, mostly in Wolfsburg.

It had also signed a contract to help build a further 2,000 Santana models in China by next March, on top of earlier contracts to help build 600 vehicles. The company was hoping to form a joint company to build at least 20,000 Santanas in Shanghai from 1988.

VW has already agreed to start building a plant in China to begin producing 100,000 engines a year from 1988, mainly for export to VW's own assembly operations around the world.

Sweden accepts $1bn increase in loan facility

By Peter Montagnon, Euromarkets Correspondent

SWEDEN yesterday accepted a $1bn increase in the amount of the loan facility it is seeking in the Euromarkets, bringing the total amount to $4bn.

It will use the extra money to prepay an additional $1bn in floating rate dollar debt, leaving only $300m which has not been refinanced at lower cost this year, Mr Peter Engstrom, director of the National Debt Office said yesterday.

The loans to be repaid early include two private operations totalling $200m, as well as the $800m portion of a credit arranged through Morgan Guaranty in 1981 which also had a tranche of SDR 500m (special drawing rights, the currency unit of the International Monetary Fund).

Sweden has now basically completed its programme of refinancing its dollar floating rate debt, as the terms of the remaining $300m are "quite reasonable," Mr Engstrom said. But it has floating rate debt in other currencies, including £650m in sterling, and its whole borrowing portfolio is under constant review.

The $4bn loan facility gives Sweden the choice of drawing funds on a normal Eurocredit basis, or of issuing short-term Euronotes, or of inviting participating banks to offer short-term advances. The facility has been arranged through Bank of Tokyo, Chase Manhattan, Citicorp, Morgan Guaranty and Svenska Handelsbanken.

First-half profits fall at ABN

By Walter Ellis in Amsterdam

ABN, the Netherlands' largest commercial bank, has joined Amsterdam-Rotterdam Bank (Amro), the country's number two, in disclosing a fall in results for the first half.

But, whereas Amro's downturn can be attributed largely to its involvement in the loss-making European American Bank (EAB), ABN says that a 19 per cent drop in net profits from January to May was caused by falling Dutch interest rate margins and a slow growth in demand for credit.

In the prospectus for a Fl 150m 9.25 per cent capital bond, due 1985-2004, issued this week, ABN says that its 1984 result as a whole is likely to come under pressure. Last year, earnings reached a record Fl 1.33bn ($415m). Provisions against debt out of this year's profits are expected to be similar to the Fl 650m set aside in 1983.

Banks reach accord on Rumasa

BY DAVID WHITE IN MADRID

SPAIN'S principal private banks have reached agreement on the future of the banks within the Rumasa group which are being reprivatised after their seizure by the Government early last year.

The share-out of responsibility, announced yesterday by Sr Rafael Termes, chairman of the Spanish Private Banking Association (AEB), follows Cabinet approval of a deal with Spain's 12 top banks for handing the Rumasa units back to the private sector.

The Rumasa banks have a staff of more than 7,000 and have deposits equivalent to about 3 per cent of Spain's banking system.

The deal, approved in Cabinet two weeks ago, involves the issue of government bonds worth Pta 440bn ($2.73bn), which will be subscribed jointly by the 12 banks in accordance with their size. The money will go to offset non-recoverable Rumasa loans.

The biggest of the Rumasa banks, Banco Atlantico, has been sold to a consortium led by Arab Banking Corporation. Number two in size, Bankinur, is to be taken over by Banco de Vizcaya.

The five Rumasa units considered to be in poorest financial shape have each been allocated to an individual bank with the exception of one, the Catalonia-based Banco Condal, whose 92-branch network is now due to be split up among the purchasing consortium.

Rescue bank	Deposits to be acquired Pta (bn)
Banco Central	54.5
Banesto	63.4
Hispano Americano	55.3
Bilbao	42
Vizcaya	68.8
Santander	32.3
Popular	21.9
Zaragozano	3.7

Banesto is to add four banks to its group and Banco Central is to acquire three banks. Banco Hispano Americano will take on two banks.

Only one of Spain's medium-sized banks, Banco Zaragozano, is directly involved in the share out, taking over the small Banco de Toledo.

The agreement is based on a compensation deal among the banks to share out the uneven burden of debt which the Rumasa interests have accumulated with the Bank of Spain following last year's expropriation.

Hertie halves operating losses

BY JONATHAN CARR IN FRANKFURT

HERTIE, one of West Germany's leading retail store groups, halved operating losses last year to DM 16m ($5.6m) and pulled its Bilka shops out of the red for the first time since 1972.

The improved result, due above all to cost-cutting and rationalisation, came on sales down by 1.1 per cent on the 1982 figure to DM 6.1bn.

However, 1982 was also Hertie's centenary year marked by special offers which helped inflate revenue. If this special factor is excluded, then 1983 sales were up by 2.7 per cent.

As part of its long-standing efforts to restore the Bilka chain to profit, Hertie has closed six stores since 1982 and concentrated on building up Bilka's successful textile sales business.

As a result, fixed cost cuts have been large and the turnover loss small, bringing Bilka an operating profit of DM 2.5m last year after a loss of DM 7.5m in 1982.

Hertie's improved results confirm the trend set by other major German store groups last year. Karstadt and Kaufhof increased their dividends and Horten is resuming a payout.

Results for the first six months of the current year have been less cheering. Hertie reports group turnover down by 5 per cent against the same period of 1983, at least partly because of customer uncertainty caused by the strikes in the metalworking and printing industries.

Kubota edges forward

BY YOKO SHIBATA IN TOKYO

KUBOTA, Japan's leading manufacturer of cast iron pipes and agricultural and industrial machinery lifted consolidated net profits by 3.9 per cent to Y13.6bn ($56m) in the fiscal year ended April 30.

Sales were Y817.6bn, up 2.7 per cent from the previous year. Net profits per American Depositary Share (each ADR represents 20 shares of common stock) advanced to Y211, from Y203 in the previous year.

In the second half, overseas sales of agricultural machinery—its main business—advanced. But domestic sales remained static reflecting the government's policy of curbing rice production. Government restrictions on public work expenditure slowed sales of cast iron pipes and anti-pollution equipment.

Exports rose by 11.8 per cent to account for 24 per cent of total turnover.

For the current fiscal year ending April 1985, higher domestic demand for agricultural machinery is expected as a result of the Government's change of policy on rice production which is to be expanded to ease a possible shortage after bad crops for four consecutive years.

Sales of cast iron pipes and construction machinery are also expected to recover. Higher sales and earnings are expected for the current fiscal year.

Ducellier to cut workforce by around 18%

By David Marsh in Basle

DUCELLIER, the loss-making French motor components company now owned by the Valeo group, has announced plans to cuts its workforce by 970, or about 18 per cent.

No details have been decided as the plan is still being discussed with unions. Ducellier said in a communique that the lay-offs were necessary because of uncompetitive costs, a 30 per cent fall in volume of activity over the past two years and accumulated losses over four years of FFr 200m ($23m).

"The survival of Ducellier makes this adjustment inevitable," the company said.

INTERNATIONAL APPOINTMENTS

Changes at International Multifoods

● INTERNATIONAL MULTIFOODS CORPORATION has elected president and chief operating officer **Andre Gillet** to the additional office of chief executive officer. **Mr William G. Phillips**, formerly chief executive officer and chairman, will continue as chairman. Minneapolis-based International Multifoods is a diversified food processing corporation operating principally in the U.S., Canada, Venezuela and Mexico.

● **Mr Jorgen Melchior**, senior vice-president of the corporate banking department, DEN DANSKE BANK, Copenhagen, has been appointed executive vice-president. **Mr Ole Jakobsen**, vice-president of the foreign exchange department, has been appointed first vice-president.

● **Mr James W. Turner** has been elected president of PHELPS DODGE SALES COMPANY, INC., a subsidiary of Phelps Dodge Corpn, the U.S. copper producer. Mr Turner has been associated with Phelps Dodge for his entire business career. He became vice-president of the sales company in 1872 and has served as its executive vice-president since 1979. Mr Turner is also senior vice-president of Phelps Dodge Copper Products Company.

● **Mr Thomas J. O'Rourke** has been appointed senior vice-president in charge of member relations at MASTERCARD INTERNATIONAL INC. Prior to joining MasterCard, Mr O'Rourke served as senior vice president for five years in the Citicorp consumer banking group, most recently as business manager for the corporate services program at Citicorp Diners Club.

● Former Conference Board president and FDIC chairman **Kenneth A. Randall** has been named chairman of the board of INTERNATIONAL COMPUTERS INC. Mr Randall will be responsible for developing and implementing the long range strategic business plans and objectives of ICL, Inc., in the U.S. He is a member of the parent ICL group international advisory panel and a consultant on commercial trade issues.

● ST. JOE MINERALS CORP. has made two appointments in its subsidiary operation St. Joe International Corp. **Mr Denis Acheson** was named vice president of St. Joe International Corporation with responsibilities for the company's business activities and development in Europe, Africa and Asia. Mr Acheson will be based in London, England. He was previously president of St. Joe International's Chilean subsidiaries, Compania Minera San Jose and Compania Minera El Indio. **Mr Paul Hodges** will assume the office of president of St. Joe International's Chilean subsidiaries. He was previously vice president of operations for these subsidiaries. Mr Hodges will be based in Santiago, Chile. St. Joe Minerals Corporation is part of Fluor Corporation.

● INCO has appointed **Mr Michael D. Sopko** president of the company's Ontario division. Mr Sopko replaces **Mr Winton K. Newman**, who is retiring from Inco after 30 years service to become manager of the Mining Association of Manitoba. **Mr Malcolm C. E. Bell** has been appointed Ontario division vice-president, milling, smelting and refining. He was vice-president, Inco, responsible for process research and technology.

● THE DREYFUS CORPORATION has elected **Mr Thomas B. Jackson** as president of The Dreyfus Fund, its largest equity fund. He succeeds **Mr Howard Stein**, who remains as chairman of the fund. Mr Stein is also chairman and chief executive of The Dreyfus Corporation. Mr Jackson joined The Dreyfus Fund as executive vice president in April 1983. Before that he was a vice president of Chase Investors Management Corporation New York, the investment management affiliate of The Chase Manhattan Bank, N.A., where he managed the Primary Equities Group.

● **Mr Richard E. Borner**, formerly chief executive of E. F. Johnson Company, a Western Union subsidiary, has been named president and chief executive of WESTERN UNION PERSONAL COMMUNICATIONS INC. **Mr Fredric R. Boswell**, president of Johnson, succeeds Mr Horner as E. F. Johnson's chief executive. Western Union Personal Communications, Inc, the newest subsidiary of Western Union Corporation, was recently formed to manage the company's growing involvement in the cellular radio field.

UK COMPANY NEWS

Imps tops £90m midway but growth slows down

IMPROVED TRADING results and lower interest charges have combined to give Imperial Group a 15 per cent increase in taxable profit, from £79.1m to £90.7m, in the six months ended April 30 1984. The directors expect that the result for the full year will show a similar rate of progress.

At the last year end this tobacco, brewing and foods concern turned in taxable profits up by 27 per cent to £195.3m, on total sales of £4.33bn.

The directors have declared an interim dividend of 3p per share, against 2.75 last time when the total reached 7.8p. It is covered by earnings of 8.7p (7.3p) after tax, and 12.2p (10.9p) before, and represents the first increase in the interim for five years.

Profit at the operating level showed a 5 per cent increase from £92.6m to £97.3m, to which the share of profits from associates added a further £1.5m (£1m).

The taxable result was substantially boosted by a £6.4m drop in interest less investment income to £8.1m. The reduction was largely the result of higher cash balances during the period, due in part to the receipt of £20m from the disposal of the UK poultry business.

A divisional breakdown of turnover and operating profit reveals: tobacco £1.17bn (£1.2bn) and £55.7m (£54.3m); brewing and leisure £440.2m (£419.3m) and £22.2m (£28.1m); foods £353.9m (£301.4m) and £12.1m (£10.4m); Howard Johnson Company (the U.S. subsidiary) £242.1m (£220.9m) and loss £2.5m (loss £0.5m). Other activities added £13.3m (£12m) to sales and £100,000 (£300,000) to the return.

Commenting in detail, the directors state that at Imperial Tobacco, trade buying in October, 1983, ahead of manufacturers' price increases, resulted in lower volumes in November and affects the comparison between the two half-years.

Apart from improvements in trading, operating profit of the UK divisions continued to benefit from further cost saving programmes and from the re-organisation of production and U.S. distribution facilities over the last two years. In the U.S., the Howard Johnson Company, under increasing pressure on margins, again made a loss in what is for them the low season of the year.

The directors add that substantial new investment programmes are being implemented in many parts of the group, particularly in pubs, restaurants and hotels. Development of this kind inevitably has an impact on current profitability but "will make a good contribution to group performance in due course."

Tax and minorities took slightly less at £25.7m against £26.4m, and it is expected that the overall rate will be lower this year. Net profits emerged up from £52.7m to £65m, and after an extraordinary debit of £15.8m (£13.8m) — £14.4m of which was deferred tax following the Budget proposals—attributable profit came out at £49.2m against £38.9m.

See Lex

Trevor Humphries

Geoffrey Kent, chairman of Imperial Group . . . foresees more sustainable rates of profit growth

Favourable market helps Robert Fleming to £15.5m

HIGHLY favourable market conditions helped Robert Fleming Holdings, the merchant bank group, to record a 28 per cent increase in profits for the year ending March 31. After tax and transfer to inner reserves, these amounted to £15.5m compared to £12.1m the year before. The dividend is being increased from 30p to 40p.

Mr J. Burnett-Stuart, the chairman, said all major departments of the group did well: investment management, banking, corporate finance and security dealing.

In addition, Save and Prosper, the UK investment management company of which Fleming owns 57.7 per cent, recorded a 47 per cent increase in profits to £6.64m. Overseas, Jardine Fleming, the group's joint venture in Hong Kong with Jardine Matheson, had a record year, and further advances were made by Rowe Price-Fleming International in Baltimore, which manages international investments for U.S. clients.

Mr Burnett-Stuart said conditions had been more difficult in the first three months of this year "but I am confident that we shall cope profitably with the circumstances of 1984-85."

Of the changes currently sweeping through the City, Mr Burnett-Stuart said the group's strategy was to remain small. But he expected it to take an active role in the Stock Exchange. Fleming is a major broker - dealer in Japanese equities, with one of the largest such operations in London, so it would "make sense" for Fleming to become involved in the UK equities market as well, he said.

Mitchell Somers' slight decline

Pre-tax profits at Mitchell Somers, the West Midlands-based engineer and forgemaster, declined from £1.23m to £1.03m in the year to March 31, 1984. At halfway, the figures had fallen from £717,000 to just £9,000, and the chairman said at the time that trading conditions in the group's forging and heavy machining subsidiaries had been poor, but some improvement was visible.

The final dividend is unchanged at 1.75p for a same-again total of 3.25p. Earnings per 10p share were down from 6p to 5.2p, and net asset value per share was lower at 87p, against 99p.

Group turnover for the year was down from £32.73m to £29.83m. The pre-tax figure was after interest charges of £286,000 (£489,000). Last time there was investment income of £114,000. Tax took £214,000.

Lofs shares suspended ahead of rights issue

BY RAY MAUGHAN

SHARES in London & Overseas Freighters, the tanker group, were suspended yesterday at 8p ahead of the rights issue which is expected to be announced today.

The rights issue will be accompanied by the announcement of results for the year to March, which will show heavy losses, and details of a capital re-construction given that the shares have been suspended below par value of 25p each.

It is likely that a new nominal value of 1p per share will be established and the group's bankers are expected to extend the maturity of their loans. There has been no call, apparently, for the banks to undertake any form of debt conversion into equity.

Underwriting was said to be very nearly complete yesterday.

Lofs disclosed a loss of £6.5m in the first half of the financial year and, despite a subsequent improvement in rates, the best that Mr Miles Kulukundis, the managing director, would say in May was that the deficit in the second six months would not exceed that sum.

The balance sheet drawn up at March 1983 showed net worth of £27.36m, down from £41.94m, secured loans of £33.2m and cash of £9.73m.

A conditions of the banks' continued support has been the injection of new equity capital which, advised by Hill Samuel, Lofs expects to have underwritten by today.

Magnet & Southerns up 32% at record level

Magnet & Southerns failed to achieve its targeted full-year profit level of at least £34m, but in reaching £32.13m the group has established a record at the taxable level and notched up a 32 per cent increase over the comparable £24.33m.

The company is a manufacturer of prepared joinery, doors and ancillary products.

Midway through the year to end-March 1984, Mr S. Oxford, the chairman, reported that profits had climbed from £12.07m to £17.28m and indicated that the second six months would yield a similar amount.

There were two reasons for the slightly disappointing second half, says Mr Oxford.

First, an additional £750,000 was spent on advertising and sales promotion which had not been decided at the time of the interim announcement.

The second and more significant reason was an erosion of group margins following Magnet's experiment with "special offer" selling.

However, Mr Oxford was confident that "We have gained valuable experience in this type of trading and, more importantly, we have created higher springboards for our continued growth and expansion."

Group sales for the year amounted to just under £194m, against £161.8m, and operating profits emerged at £30.43m compared with £24.09m.

The taxable result was enhanced by a £1.26m rise to £2.54m in income from investments. Interest receivable totalled £167,595 (£145,023) while interest payable was down at £1.01m (£1.18m).

Following an increase in the interim dividend, the directors are recommending a lift in the final payment from 2.2p to 2.7p which raises the total payout to 4.7p (3.9p).

This dividend is covered three times by stated earnings per share of 14.1p (9.6p).

Trading levels for all of the company's manufactured products throughout the year were good, with sales relating to the repairs, maintenance and improvement market holding up very well.

Sales of kitchen units were "exceptionally good" and demand for Magnet's top-grade high-performance windows in both hardwood and Douglas Fir continued to increase.

Net profits came out at £25.35m (£15.77m) after tax of £6.78m (£8.56m). There was a deferred tax provision this time of £3.3m which reduced the attributable profit to £22.05m (£15.69m) after an extraordinary debit of £81,052).

Magnet's figures have been restated to reflect changes in the basis of stock valuation in Holland so that it conforms with the UK group's valuation policy.

● **comment**

Regardless of the reasons proffered, the fact that Magnet made a duff forecast just three months before the year-end—and for the most forecastable of reasons—will hit confidence in this glamour stock. In its defnce, the company points out that these results are still a record, representing a healthy one-third increase over the previous year. It also insists that the short-notice advertising campaign and cut-price promotions — the reasons for the shortfall—were a success, helping it to gain market share. This may be true but the effect on margins has been severe, which suggests that Magnet may be beginning to feel the heat from its competitors, especially on the doors and windows side. And tomorrow's expected rise in mortgage rates will not help, as Magnet is sensitive to consumer demand. Clearly, profits growth is going to slow a little. Tha low tax charge has come to the rescue at the earnings level this time but this wil lnot be the case next year, so expected profits of around £37m could well translate into lower earnings. Taking a 35 per cent tax charge, the 110p shares, down 20p yesterday, are selling on a prospective p/e of 8.5, which seems high enongh.

Rank comes up to expectations with 28% rise to £48m

RANK ORGANISATION's performance over the 28 weeks to May 12, 1984 met the expectations of progress and improving profitability indicated at the annual meeting in March.

Group profits before tax advaced by 27.5 per cent from £37.5m to £47.8m on turnover of £249.8m compared with £268.4m.

The most notable improvement was in the trading profit of the directly managed Rank companies which rose by 66 per cent to a record £21.8m. Most of the group's business contributed to this gain, with the larger improvements coming from hotels, Top Rank clubs, Film Laboratories, Rank Taylor Hobson and the Australian and North American operations.

The group's share of Rank Xerox profit before tax increased to £35.6m compared with £34.4m. From the remaining associate interests, the share of profit before tax was £1.4m against £3.9m with the fall more than accounted for by the losses of Telecom Plus International incurred during its industrial dispute.

Total financing costs of £13.2m, consisting of interest charges and Australian preference share dividends, were £1.6m lower than in the same period last year reflecting a reduction in tha average debt and a small decrease in interest rates. At constant exchange rates closing net debt would have shown a £33.7m reduction on the corresponding period end last year.

Rank's chief executive Mr Michael Gifford has effectively ruled ou tany major surgery at the group this year.

Ha says that while it is hard to predict the level of disposals planned for tha second half, be would "not be surprised" if they were much the same as the £46m realised in tha opening six months.

Mr Gifford adds: "We hava no current intention to sell our hotels. They improved thair performance in the first half and tha prospects in London look good. We certainly have no deliberate policy to sell them—although thst's not to say that they don't have a price, everything has."

He added that he did not have such "robust views" concerning Rank's portfolio of properties, estimated to be worth around £160m, where disposals could take place.

Earnings per share moved ahead from 7.9p to 12.5p and the interim dividend has been raised by 20 per cent from up to 4.8p net. Last year's final dividend was 6p with taxable profits at £69.3m.

Profits were subject to tax of £19m, against £20m, leaving e net balance of £28.8m (£17.5m). Minorities accounted for £3.2m (£1.3m) and preference dividends took the same at £300,000, *after which* tha attributable profit was £25.3m (£15.9m). Ordinary dividend payments absorbed £9.7m (£8.1m).

There have been minor restatements of this year's interim results to bring them in line with tha basis on which the year 1983 results were reported. Apart from this, the abova results have been presented on consistent accounting bases and therefore excluda Butlin's, Leisure Holidays and Rank Travel.

See Lex

HIGHLIGHTS

Lex loks at the fall out in the stock market which was abruptly halted by the close of trading yesterday. The FT-SE Index closed 10.5 points down on the day having been at low as 23 points off in the early afternoo The column then looks at Thorn's decision to go for Inmos and the market's assessment of the ambiguous statements over future trading prospects. Lex then examines the progress achieved by Rank, which et last seems to be making some money from its own businesses and generally cleaning up its market image. Finally the column considers the latest results from Imperial, where the figures may look disappointing though they are backed by a bullish statement.

Associated News at £8.4m so far but sounds warning

THE DIRECTORS of Associated Newspapers Holdings, reporting an increase in pre-tax profits from £7m to £8.36m at midway, warn that competitive conditions are likely to cause earnings from trading in the second half year to be st a lower level.

The result for the six months to March 31 1984 represents a 20 per cent increasa over the comparable period, and follows the £16.46m (£11.47m) reported at the last year end.

The interim dividend is unchanged at 4.5p—last year's total was 12p—and is covered by earnings per share shown as 15.3p (12p).

Tha group, publisher of the Daily Mail, and Mail on Sunday as well as a string of provincial titles, reports increased sales of £173.87m against £147.62m.

Earnings from trading emerged sharply up from £4m to £6.28m, while the share of related companies' earnings droped from £1.12m to £727,000. Income from other fixed asset investments fell slightly from £1.48m to £1.4m. Net interest took £41,000 this time (added £417,000).

The tax charge was reduced from £3.35m to £3.14m, and minorities absorbed £579,000 (contributed £5,000). As in previous years, extraordinary items will be dealt with in the full year accounts, and will include the profit arising from the sale of Reuters shares.

● Daily Mail and General Trust, the investment holding company which has a 49.95 per cent share in Associated Newspapers, has seen its net asset value rise to £13.63 per share in tha same period, against a comparable 813p.

There is to be an unchanged interim dividend of 12p, after the 34.5p total last year.

Net revenue, including the proportion of profits of its principal associate, was £3.37m (£2.57m), of which £1.45m (£1.43m) is attributable to Daily Mail.

Net revenue form investments other than Associated Newspapers was £762,000 against £746,000. Earnings were stated as 14.3p (14.1p) per share.

● **comment**

Tha market's reaction to the Associated Newspapers statement was graphic enough, sending the shares down 5p to 440p. At least soma analysts had expected tha figures to be this poor, but the bearish tone on the second half came as a surprise. The group is not known for being chatty about its affairs, so it is not easy to surmise what the "competitive conditions" amount to. But the oil interests still seem to be healthy—and the rise in the dollar can do no harm—while the other non-newspaper interests should still be benefiting from the economic cycle. It does look as if the culprit might be the Mail on Sunday; circulation has risen in the period by 0.3m copies, to 1.6m, but promotional costs apart there is no telling how much is being charged for advertising space. Pre-tax profits could be at best unchanged for the year, even allowing for interest on the £18m or so of cash from the Reuters sale. In that case, the prospective multiple is nudging into double figures.

COMPANY NEWS IN BRIEF

Sarasota Technology, which designs and sells high precision measuring equipment, has had its offer for sale of 5.866m shares oversubscribed with applications for 14.46m sbares received by Barclays Merchant Bank.

Employees applied for 160,400 out of a possible 293,317 pink forms reserved initially for employees.

Applications for between 100 and 900 shares will be allottad in full; between 1,000 and 50,000 will be allotted 48 per cent of the shares applied for or a minimum of 900 shares; and applications for over 50,000 shares will receive 30 per cent of their application subject to a minimum of 25,000 shares and a maximum of 200,000 shares.

Dealings are expected to commence on Wednesday, July 18, 1984.

* * *

Profits at the pre-tax level rose sharply at Bromsgrove Casting and Machining in the year to March 31 1984.

The result, et £255,000 against £140,000, was schieved on a less than proportionate increasa in sales, from £4.08m to £5.18m.

Tha final dividend is raised from 1.5p to 2p per 5p ordinary share, and lifts the total hy 0.5p to 2.75p. Earnings are shown et 27.6p (10.1p). There was a tax credit of £186,000 (£22,000).

* * *

Following a rise from £197,000 to £258,000 at halfwey, Philip Harris (Holdings), scientific apparatus manufacturer, finished *the March 31 1984 year with* £612,024 taxable profits, compared with £486,731. Turnover moved ahead from £21.26m to £24.83m.

* * *

Pre-tax profits at Forshaws Burtonwood Brewery slipped from £2.79m to £2.03m for the year to the end of March 1984. Turnover of this Warrington-hased hrewer rose from £20.05m to £22.25m.

The net final dividend has been held at 6.585p which raises the total from 8.625p to 9.085p. Earnings per 25p share were shown as rising from 34p to 36.6p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Associated News ...int	4.5	Aug 23	4.45	—	12
Birmid Qualcast ......int	0.66	Sept 14	0.33	—	2.33
Bromsgrove Casting	2	—	1.5	2.75	2.25
Crown House	3.9	Oct 1	3.5	6.4	5.75
Daily Mail & Gen int...	12	—	12	—	34.5
George Dew ....int	2.3	Sept 21	2.3	—	5.7
Forshaws Burtonwood...	6.59	—	6.59	9.09	8.63
Greycoat City	0.8	Oct 1	0.65	1.4	1.15
Hadland ....int.	0.84	Aug 17	0.84	—	2.52
Philip Harris	5.25	Aug 24	4.75	7.25	6.75
Haslemere Estates	6.61	Oct 4	6	8.7	7.9
Imperial Group ......int	3	Nov 2	2.75	—	7.8
Jones Stroud	4	Oct 13	3.5	6.5	16
A. Kershaw ....int	4	Oct 31	4	—	15
Magnet & Southerns ...	2.7	Oct 1	2.2	4.7	3.9
Mitchell Somers	17.5	Oct 1	1.75	3.25	3.25
Oceonics	0.75	—	0.75	*0.75	*0.75
Rank Organisation ....int	4.8	Nov 1	4	—	10
Ratners	1.63	Oct 3	1.63	2.3	2.3
Stirling Gp	1.1	Sept 20	0.75	1.8	1.25
Thorn EMI	12.5	—	11.7	17.5	15.75
Tribune Inv. ....int.	0.55	Aug 17	*0.5	—	*1.88
Triplex Foundries	0.5	Aug 14	0.5	0.5	0.5
Western Board Mills ...	8	Sept21	5.3	8.	7.3
Yeoman Inv ....int	3	Sept 10	2.5	—	7.7

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Includes special non-recurring 0.5p payment.

Thorn EMI profits expand £35m to £157m

WITH MOST of the increase coming in the first six months, pre-tax profits of Thorn EMI, consumer electronics, music, domestic appliances and lighting group, amounted to £156.8m for the year ended March 31, 1984, compared with £122m previously. At halfway the figure had reached £55.8m, against £27.6m.

External turnover expanded by £106m to £2.82bn and the dividend is lifted to 17.5p (15.75p) per share with a final payment of 12.5p.

The directors also announce that agreement has been reached whereby Thorn will purchase British Technology Group's shareholding of some 76 per cent in Inmos for £95m.

A geographical analysis of turnover shows: UK £1.72bn (£1.63bn); rest of Europe £498.5m (£521.8m); the Americas £329m (£304.8m); Australasia £148.5m (£137.4m); Africa £56.9m (£61.1m); Asia £65.3m (£58.7m).

In addition, an analysis of turnover and pre-interest profits between the UK (including exports) and overseas shows: UK £1.85bn (£1.75bn) and £143m (£130.9m); overseas £975.7m (£967.3m) and £46.8m (£33.3m).

Mr Peter Laister, chairman and chief executive, says that at the start of the year the group had begun to see an upturn in the level of UK consumer spending, particularly in the areas of consumer electronics and some parts of the domestic appliances sector.

Overall profitability levels have been held in rental and market share was increased, while the group has maintained its policy of providing high quality, advanced technology televisions and videos. "In a changing market we remain confident about the opportunities that exist," Mr Laister states.

He points out that in those parts of the engineering division where it provides services or products primarily associated with medium or heavy engineering, "we found little true recovery and our view is that until this sector does improve there will be no sustained growth in the industrial base of the national economy."

The chairman adds, however, that the group has strong operations in areas which have been far less affected by the recession, "our performance in electronics and the growth in our telecommunications business are good examples."

The music results were "disappointing," the chairman says, whereas the steady improvement in the profits from the lighting division, the complete reorganisation of the screen entertainment and the initial results from information technology are encouraging highlights, the chairman says.

Mr Laister comments that Thorn has shown steady progress in the year, and for the future the directors will continue to give priority to product design and marketing in seeking constant improvements.

Trading profits amounted to £439.1m, compared with £395.6m, which were subject to depreciation up from £236.2m to £260.8m. The pre-tax figure was after lower interest charges of £32.8m (£42.2m), but included higher associates share of £11.3m, against £4.8m last time.

After tax of £66.2m (£53.1m) earnings per 25p share were 47.8p (35.4p) basic and 45.3p (34.6p) fully diluted.

Minority interests took £2.6m (same) and preference payments £4.5m (same) and extraordinary credits of £4m the attributable balance came through at £87.5m. This is compared with £36.2m for 1982-83 which was after debits of £25.6m.

During the year a gross cash flow of £417.6m (£358.2m) was generated and overall cash outflow was contained at £22.1m despite investment in rental equipment and other fixed assets of £342m (£326.8m).

Net borrowings as at March 31 last were £314m (£291.9m) representing gearing of 49.2 per cent (48.3 per cent).

See Lex

Hugh Routledge

Mr Peter Laister, chairman and chief executive of Thorn EMI

DIVISIONAL PERFORMANCE BREAKDOWN

	1984 Turnover £m	1984 Profit £m	1983 Turnover £m	1983 Profit £m
Consumer electricals	850.4	85.2	777.7	83.4
Music	487.6	16.3	500.8	21.0
Screen entertainment	111.4	9.2	109.9	†4.5
Electronics, information technology and engineering	703.1	33.2	661.9	28.0
Domestic appliances	612.5	32.3	589.3	26.5
Lighting	259.5	13.3	249.9	9.8

† Loss.

Jones Stroud moves past £3m mark

AS expected, pre-tax profits of Jones Stroud (Holdings), manufacturer of fabrics, accessories and materials for the textile and electrical industries, exceeded the £3m market with a record £3.36m for the year ended March 31, 1984. This is compared with £2.72m last time.

In their interim report—profits then had moved ahead from £1.32m to £1.56m—the directors said that the group's trading position continued to steadily improve and profits for the second half would exceed those of the first.

Turnover for the 12 months expanded by £6.04m to £36.8m and trading profits amounted to £3.29m, compared with £2.81m. The pre-tax figure included associates share of £488,000 (£259,000), but was after interest payable of £332,000 (£334,000).

The directors comment that prospects for the 1984-85 year largely depend on the economic climate in the UK which is still the group's major market. This is currently "extremely difficult" to predict, they say, but the group is now stronger in the industries it serves and profits are expected to attain a satisfactory level.

After tax of £1.33m (£749,000), extraordinary debits £434,000 (nil) and preference payments of £109,000 (same), the attributable balance came through down from £1.88m to £1.49m.

Earnings per 25p share were 20.77p (20.29p) after tax and with a final distribution of 4p the total is increased to 6.5p (6p), which will absorb £601,000 (£556,000).

Western Board Mills

Pre-tax profit for the year to March 31 1984 improved slightly at Western Board Mills, at £1.99m against £1.96m last time. The main activities of the group are manufacture of mill and fibre boards from waste paper and fabrication of board components.

The directors recommend a final dividend of 6p (5.3p), giving a total for the year of 8p (7.3p).

Turnover for the year rose to £Q4.21m (£3.79m). After tax of £916,979 (£852,169) and dividends of £423,120 (£386,097), retained profits emerged at £653,825 (£719,874). Earnings per 10p ordinary share dipped to 20.3p (20.9p).

Compsoft on to USM via tender offer

BY ALISON HOGAN

KLEINWORT, Benson is bringing Compsoft, a database software house, to the Unlisted Securities Market through the offer for sale by tender of 1.89m shares, around 25 per cent of the equity, at a minimum tender price of 120p per share, giving a £9.12m market value.

The chairman, Mr Nick Horgan, started the business in 1978 after developing his first database management software product for micro-computers. Ms Heather Kearsley, his wife, started actively marketing the product in 1980 through Compsoft.

The move of Compsoft into Europe will be through deals with leading manufacturers, presently including IBM and Xerox. The £449,000 raised for the company through the offer will be used mainly to finance the costs of support in Europe.

Turnover rose from £750,000 to £1.33m in the year to March 1984 and pre-tax profits from £245,000 to £543,000. At the minimum tender price of 120p per share, the shares will have a PE of 25.6 times and a yield on an estimated dividend per share of 1.5p of 1.79 per cent.

Laurence, Prust are brokers.

● **comment**

Compsoft has made great strides in the UK with its database software. Its major competitor is Ashton Tate which Compsoft says is suited to the technical user with more computing knowledge, than its own average customer possesses. The market is large and growing and Compsoft calculates it has perhaps 20 to 30 per cent of the broad database management software market.

Though growth is still expected in the UK, the company has come to the USM at this time to help finance its expansion into Europe. The strategy of linking up with major equipment manufacturers seems sound against the cost of establishing its own European dealer network.

It works out cost efficient too when for example IBM sends out Compsoft software with its microcomputers to all dealers in Italy at no cost to Compsoft. The picture will look clearer and more secure when the company has a few more manufacturers lined up. Several are reviewing Delta at present.

Compsoft's main expense will be in providing an adequate support service to manufacturers and customers. Compsoft has only scratched the surface on Europe and has been quite cheeky with its 25.6 p/e rating this early in the game. It's a gamble, which despite market conditions could prove popular, but not much above the minimum tender price.

Development programme costs hit Haslemere

PRE-TAX PROFITS of Haslemere Estates, the property development and investment group, fell to £5.83m in the year to end March 1984, against £7.09m in the previous 12 months.

Rental revenue rose from £17.33m to £19.31m and a revaluation of investment properties resulted in an increase from £237.7m to £270.75m. Net asset value per share (diluted) was 615p against 578p.

The directors are proposing a final dividend of 6.61p (6p) making 8.7p (7.9p) for the year.

Mr David Pickford, chairman of Haslemere, said the decline in pre-tax profits was largely due to financing costs associated with the group's heavy current development programme. It had now completed Sherborne House in Cannon Street, London, and Bury Court House, Bevis Marks but had not completed any lettings deals in the two properties. It is understood, however, that tenants for parts of the space are now in negotiations.

In addition, the company has another large office scheme in Cannon Street, a 110,000 sq ft offices and shops scheme at Richmond and numerous smaller development projects under way.

Despite the profits set-back, Haslemere is confident that its high-quality investment and development portfolio will ensure sound asset growth over the next few years, even if profits come through unevenly.

Haslemere shares fell 16p to 470p on news of the disappointing figures.

Birmid advances to £4.8m at halftime

PROFITS MORE than doubled from £2.01m to £4.79m before tax at foundry product manufacturer Birmid Qualcast in the 26 weeks to April 28 1984.

This result shows further substantial progress in the group as a whole, says Mr R. T. Macpherson, the chairman.

The largest divisional improvement has been in foundries, where in spite of severely restricted selling prices and increased raw material costs a profit was achieved.

Market share has been maintained in the group's consumer product divisions, in some cases within a reduced total which has resulted in increasingly competitive selling prices. Progress continues in the engineering division, says Mr Macpherson.

Group sales for the period amounted to £108m, against £88.6m, and operating profits emerged at £5.47m (£3.06m). The taxable result was struck after net interest payable of £687,000.

In the last full year Birmid achieved a taxable profit of £8.59m on turnover of £175.85m.

Recognising the marked improvement in the currently reported profits and as a move towards correcting the disparity between interim and final dividends, the directors have declared a doubled interim payment of 0.66p. Last year's final payment was 2p.

Earnings per 25p share for the period are shown as 5.9p (2.9p). Profits were subject to tax of £900,000 (£122,000) and minorities took £9,000 (£1,000).

Attributable profits came out at £3.88m (£3.29m including an extraordinary credit of £1.4m). The cost of dividends is £435,000 (£216,000).

	Half-year to April 1984 (£m)
Turnover	108.0
Operating profit	5.5
Net interest payable	0.7
Pre-tax profit	4.8
Tax	0.9
Attributable profit	3.9
Dividends	0.4
Transfer to reserves	3.4

● **comment**

Although interim profits from Birmid Qualcast leaned towards the top end of market estimates the accompanying statement held a sting in the tail. The second half could be £1½m or so lower than the comparable period at the pre-tax line. That comes as something of a surprise, especially as the foundries business—the group is the largest independent castings supplier to the motor trade—is back in profit after last year's £1½m loss. However the company does face some obvious problems. Foundries burn coke and even if supplies are holding alright Birmid could well be paying a lot more. The central heating business, Potterton, is probably, like its competitors, experiencing a small downturn and finally the parched earth of spring and early summer must have hit lawnmower sales again. Even taking those arguments on board the second half setback still looks a pretty poor prospect, especially as base rate rises are going to do little to enhance consumer spending on central boilers later in the year. Yet assuming £10m for the year and a 20 per cent tax charge the p/e of 6 at 72½p justifies holding on — bid speculation is in for nothing.

Triplex continues to recover boosted by foundries turnround

CONTINUING the recovery made at the midway stage by Triplex Foundries Group, results for the year to the end of March 1984 produced pre-tax profits of £776,000 against previous losses of £992,000.

At the halfway stage profits came to £334,000 (losses £781,000).

The results reflect a £1.29m turnround to operating profits of £321,000 in the foundries division. Sales amounted to £11.2m.

Commenting on prospects for the group Mr Richardson, chairman, expects the full year will show continuing recovery.

Turnover was down from £30.56m to £28.17m. Mr Richardson says the foundries account for less than half of group sales, and less than half of operating profits. The directors therefore propose to change the company's name to Triplex.

A single nominal dividend of 0.5p has again been recommended. Earnings per share are shown as 9.2p (losses 12.3p).

Tax took £11,000 (£19,000) and extraordinary costs were reduced from £4.46m to £343,000. The attributable level merged with a balance of £422,000 against a previous deficit of £5.47m. Dividends will absorb £48,000 (same).

● **comment**

The cuts in cost of sales, distribution, administrative expenses and interest charges all carry the telltale signs that Triplex is well over the hump, thanks to the drastic rationalisation and reorganisation programmes that have been under way over the past 18 months. The proposal to drop the word "Foundries" from the company's name says it all: Triplex is now far less exposed to this former profits drain which, had it not been reforged, might well ' ' torpedoed the whole gro' ' it is, with the trading ac' ' in kilter, the last remaining hurdle for the new management to tackle is gearing, still uncomfortably high at around 115 per cent of shareholders' funds. On the present trading course, this might well have been cut in half by the end of the current financial year but this week's hike in interest rates will probably trigger a more urgent plan of action of careful divestment. The gearing problem should be containable, especially if further progress is made on better use of resources (such as cutting inventory and group spend). Meanwhile the remaining businesses should be able to continue their underlying growth, with the engineering and building component companies providing the main thrust in future. At 34p, the shares are selling on a p e of just 3.6.

GROUP RESULTS

	1983-84 £000	1982-83 £000
External sales	28,168	30,556
Cost of sales	21,650	24,521
Gross profit	6,518	6,035
Distribution costs	1,591	1,836
Admin. expenses	3,502	4,367
Trading profit	1,425	†168
Interest payable	649	824
Profit before tax	776	†992
Tax	11	‡19
Profit after tax	765	†1,011
Extraord. debits	343	4,455
Attributable profit	422	†5,466
Dividends	48	48
Retained	374	†5,514

† Loss. ‡ Credit.

BANK RETURN

BANKING DEPARTMENT

	Wednesday July 11 1984	Increase (+) or Decrease (−) for week
Liabilities	£	£
Capital	14,553,000	
Public Deposits	47,370,452	− 415,163
Bankers Deposits	750,662,990	+ 88,487,486
Reserve and other Accounts	1,700,470,328	+ 166,535,172
	2,513,056,780	+ 254,605,611
Assets		
Government Securities	461,440,550	+ 84,195,000
Advance & other Accounts	623,918,605	− 95,654,614
Premises Equipment & other Secs.	1,415,926,642	+ 267,351,258
Notes	11,604,473	− 1,247,540
Coin	166,510	− 18,594
	2,513,056,780	+ 254,605,611

ISSUE DEPARTMENT

	£	£
Liabilities		
Notes issued	12,050,000,000	+ 50,000,000
In circulation	12,038,395,527	+ 51,247,540
In Banking Department	11,604,473	− 1,247,540
Assets		
Government Debt	11,015,100	
Other Government Securities	3,257,041,144	− 314,273,208
Other Securities	8,781,943,756	+ 364,273,208
	12,050,000,000	+ 50,000,000

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCKS LISTED BELOW ARE NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND. OFFICIAL DEALINGS IN THE STOCKS ON THE STOCK EXCHANGE ARE EXPECTED TO COMMENCE ON FRIDAY, 13TH JULY 1984.

ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 11th July 1984, and has issued to the Bank, an additional amount of £300 million of each of the Stocks listed below:

10¼ per cent EXCHEQUER STOCK, 1995

11½ per cent TREASURY STOCK, 2001-2004

The price paid by the Bank on issue was in each case the middle market closing price of the relevant Stock on 11th July 1984 as certified by the Government Broker.

In each case, the amount issued on 11th July 1984 represents a further tranche of the relevant Stock, ranking in all respects *pari passu* with that Stock and subject to the terms and conditions of its prospectus, save as to the particulars therein which related solely to the initial sale of the Stock. Copies of the prospectuses for the Stocks listed above, dated 9th January 1978 and 18th May 1979 respectively, may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA.

Application has been made to the Council of The Stock Exchange for each further tranche of stock to be admitted to the Official List.

The Stocks are repayable at par, and interest is payable half-yearly, on the dates shown below:

Stock	Redemption date	Interest payment dates
10¼ per cent Exchequer Stock 1995	21st July 1995	21st January 21st July
11½ per cent Treasury Stock, 2001-2004	19th March 2004, or on or at any time after 19th March 2001 subject to not less than three months' notice.	19th March 19th September

The further tranche of 11½ per cent Treasury Stock, 2001-2004 will rank for a full six months' interest on 19th September 1984. Dealings in the further tranche of 10¼ per cent Exchequer Stock, 1995 for settlement prior to 21st July 1984 will, in common with the existing Stock, be effected on an ex-dividend basis.

BANK OF ENGLAND
LONDON
11th July 1984.

Imperial Group INTERIM REPORT 1984

public limited company

Group profit before tax for the six months ended 30th April, 1984 was £90.7 million (1983 £79.1 million). This represents a 15% increase over the first half of last year and was due to a combination of improved trading results and lower interest charges.

Imperial Brewing & Leisure Ltd, Imperial Foods Ltd, and Howard Johnson Company showed increased turnover. As for Imperial Tobacco Ltd, trade buying in October, 1983, ahead of manufacturers' price increases, resulted in lower volumes in November and affects the comparison between the two half-years.

Apart from improvements in trading, operating profit of the UK divisions continued to benefit from further cost saving programmes and from the re-organisation of production and distribution facilities over the last two years. In the USA, the Howard Johnson Company, under increasing pressure on margins, again made a loss in what is for them the low season of the year.

Substantial new investment programmes are being implemented in many parts of the Group, particularly in pubs, restaurants and hotels. Development of this kind inevitably has an impact on current profitability but will make a good contribution to Group performance in due course.

The reduced interest charge was largely the result of higher cash balances during the period, due in part to the receipt during 1983 of £20 million from the disposal of the Group's poultry business in the UK. Average interest rates were also down.

The overall rate of Corporation Tax is expected to be lower in 1984. As a result, Group profit after tax for the first half, at £65.0 million, shows an increase of 23% over the corresponding period in 1983.

Earnings per share, before and after tax, rose by 12% and 19% respectively.

Barring major unforeseen circumstances, it is currently expected that Group profit before tax for the full year ending 31st October, 1984 will show a rate of progress approaching that achieved during the first six months.

The Directors have decided to declare an interim dividend of 3.0 pence per share, as against 2.75 pence per share last year. This will absorb £22.4 million (1983 £19.9 million). Warrants will be dated 1st November, 1984 and will be posted to those shareholders who are registered in the books of the Company at the close of business on 3rd October, 1984.

By order of the Board
Peter M Davies
Group Secretary

12th July, 1984

£ million — Group Results (Unaudited)

	Half-year to 30th April 1984	1983	% change
Turnover			
Imperial Tobacco Ltd	1,171.5	1,203.1	
Imperial Brewing & Leisure Ltd	440.2	419.3	
Imperial Foods Ltd	352.9	301.4	
Howard Johnson Company	242.1	220.9	
Other activities	13.3	12.0	
	2,220.0	2,156.7	
Intra Group Sales	(28.3)	(30.3)	
	2,191.7	2,126.4	+3%
Operating Profit			
Imperial Tobacco Ltd	55.7	54.3	
Imperial Brewing & Leisure Ltd	32.2	28.1	
Imperial Foods Ltd	12.1	10.4	
Howard Johnson Company	(2.8)	(0.5)	
Other activities	0.1	0.3	
	97.3	92.6	+5%
Share of profits of associates	1.5	1.0	
Interest less investment income	(8.1)	(14.5)	
Profit before tax	90.7	79.1	+15%
Tax and minorities	(25.7)	(26.4)	
Profit after tax and minorities	65.0	52.7	+23%
Extraordinary items	(15.8)	(13.8)	
Profit attributable to shareholders	49.2	38.9	
Earnings per share			
—before tax	12.2p	10.9p	+12%
—after tax	8.7p	7.3p	+19%

Notes:

1. The comparative figure for taxation has been restated to reflect the effective tax rate applicable to the whole of 1983, as shown by the 1983 accounts.
2. The £15.8m charge for Extraordinary items includes £14.4m in respect of the reduction in the Group's deferred tax asset consequent upon the changes in the structure of UK corporate taxation proposed by the Chancellor of the Exchequer in his Budget Statement in March, 1984.
3. The current cost profit before taxation was £68m (1983 £56m) after allowing for a gearing adjustment of £6m (1983 £7m).

Imperial Group plc, Imperial House, 1 Grosvenor Place, London SW1X 7HB

Sun/Phoenix merger revives insurance sector speculation

BY ERIC SHORT

MARKET ANALYSTS were yesterday busy calculating the implications of the announcement late on Wednesday evening of a merger between the two major composite insurance groups, Sun Alliance and Phoenix Assurance.

The 650p a share cash offer by Sun Alliance for Phoenix, which values the group at £396.6m, will result in earnings diluted for Sun Alliance shareholders of around 10 per cent on 1984 projected earnings.

On total assets, the valuable life business of Phoenix tips the scales the other way, so that Sun Alliance shareholders gain slightly. The dividend position is not likely to be affected at least for 1984.

This means that there is not much scope for Sun Alliance to increase its offer should a counter bidder appear. But the market apparently does not consider that a rival offer is very likely.

At any rate, the sale by the U.S. insurance group Continental Corporation of its 24.3 per cent holding in Phoenix for £96.5m was unconditional, something that Continental's shareholders may criticise if the bid price is lifted.

Secondly, it appears that Allianz Versicherung, West Germany's largest insurance group, is not directly interested in the UK market at present. The company itself entertains its employees on the day after its annual general meeting, which was yesterday, so no officials could be contacted.

But Allianz's UK advisers, Morgan Grenfell, said that Allianz was more interested in expansion in the U.S. at the present time, and thus would be unlikely to intervene in the Sun Alliance/Phoenix bid, though it would be watching the situation closely.

Thirdly, Friends' Provident Life Office, which holds 7 per cent of Phoenix equity, was receptive to the terms, although it was not involved in any way in the negotiations. Mr Fred Cotton, chief general manager of Friends' Provident, considered the offer fair, though the company does not have to make up its mind yet.

The market reflected these views. Sun Alliance's share price fell 17p to 343, while Phoenix's price of 636p was well below the cash offer.

There was speculation in the market, however, that the bid would be referred to the Monopolies Commission, although on competitive grounds there does not seem to be an overwhelming case for investigation. The combined company would have around 12 per cent of the UK insurance market — slightly more than the present share of 10 per cent each of General Accident and Royal Insurance.

There could, however, be a consumer lobby exerting pressure for a referral on the grounds that the combined group motor insurers in the UK.

MAI to link with Japanese broker

By Alexander Nicoll

Mills & Allen International is linking its extensive money-broking interests with those of Ueda Tanshi, a leading Japanese discount house and money broker. MAI hopes to benefit from the expected liberalisation of Japanese financial markets.

"We believe that Tokyo will develop into a fully-fledged international market and take its place alongside London and New York," said Mr Clive Hollick, MAI managing director.

Under an agreement in principle, MAI will have a 26 per cent interest in Ueda Harlow, a newly formed Tokyo company which will acquire Ueda's foreign exchange and currency deposit broking business. Ueda will keep separate its business as a discount house.

In London, a new company will be formed—Harlow Ueda Savage—to acquire Harlow Butler Savage, an MAI London-based foreign exchange broking subsidiary. Ueda will take a 5 per cent stake in the new company.

The two transactions will result in a net cash investment by MAI of £3.5m to £4m.

MAI's extensive money-broking interests also include Harlow Meyer Savage, a eurodollar deposit broker, and the Guy Butler Group which has a large presence in the U.S. The Ueda group will have exclusive correspondent relationships with MAI subsidiaries worldwide.

Mr Hollick said the new link would provide the MAI network with 24-hour coverage of money markets.

W. H. Smith takes stake in Yorkshire Television

BY RAY MAUGHAN

W. H. SMITH & SON (Holdings), the newsagent and bookseller, has acquired Trident Television's residual 29.86 per cent stake in Yorkshire Television, thereby postponing Yorkshire's own advanced plans to float on the Unlisted Securities Market, probably until next year.

Trident, which now controls an 18.7 per cent holding in Tyne-Tees Television, is to receive £8.5m for its Yorkshire stake, which Smith will pay in loan notes repayable on October 1, 1989. The coupon will be 12.5 per cent in the first three years and 10 per cent thereafter.

The vendor has been building up its interests in casinos since January 1981 when ordered by the Independent Broadcasting Authority to reduce its television interests as the Tyne-Tees and Yorkshire television franchises were separated.

Yorkshire contributed £1.4m, on an associated company basis, to Trident's pre-tax profits of £10.3m to the year to September 1983 and the sale yields a £2.5m post tax surplus on the £4m book value of the stake.

Yorkshire's net worth at the end of last September was £5.6m which has subsequently been raised by a £3m subscription of additional capital. The television company's other principal shareholders are Bass, the brewing and leisure group, Pearson Longman, the publisher, which each have 25 per cent and the Yorkshire Post which controls 10 per ceot.

The sale has been approved by the IBA and the board of Yorkshire.

W. H. Smith said yesterday that it had been in the communications business for almost 200 years and the acquisition would provide "an important presence in the modern communications world."

The float was expected to value Yorkshire at some £20m compared with the capitalisation of over £28m implied by W. H. Smith's purchase price.

W. H. Smith has diversified from newspaper in wholesale and retail and book distribution into home computers, where it is now the largest retailer in the UK, business computer software, DIY, and is now breaking into cable television.

Hadland agrees to £4.6m bid from Xenotron

By Alexander Nicoll

Hadland Holdings, camera and graphic arts equipmeot grouod, has agreed to a £4.6m bid from Xenotron, privately-held maker of computer-based equipment for the printing industry.

Terms are 145p in cash for each Hadland share or ooe Xenotron redeemable share for every 20 Hadland share, which closed yesterday at the cash bid price, up 5p.

Hadland directors, who hold 63.2 per cent of the Hemel Hempstead-based company, have chosen to accept Xenotron shares and four of them will join the Xenotron board. Holders of a further 18.5 per cent have also given irrevocable undertakings to accept, giving Xenotron 81.7 per cent of Hadland.

Xenotron, based in Diss, Norfolk, plans to seek a listing for its shares "at an appropriate time" and also plans soon to raise £3m of equity finance through a private placement.

Xenotron has 200 employees and made a profit of £680,000 in 1983 on turnover of £6m.

Hadland also reported figures for the six months ending April 30, showing pre-tax profits of £68,000, up from £21,000, on turnover of £2.66m (£2.50m). Tax took £35,000 (£11,000), leaving £33,000 (£10,000) attributable. It forecast pretax profits for hte year ending October 31 at not less than £475,000.

Asian hoteliers to submit Rowton board nominees

BY CHARLES BATCHELOR

ROWTON HOTELS yesterday patched up its boardroom split and announced plans to invite the two Asian hoteliers who have built up sizable minority holdings in its equity to nominate four directors to its expanded nine-man board.

Ten days of talks between Rowton and Mr Nurdin Jivraj, whose Rushlake Investments holds 28.8 per cent of Rowton's equity, led to agreement just minutes before yesterday's shareholders meeting.

At a board meeting immediately afterwards Mr Jivrej, Mr Shiraz Malik-Noor and Mr Robert Christiensen were appointed to the Rowton board to represent Rushlake.

Mr Nazmu Virani, who now controls 17.6 per ceot of Rowtoo, will also be invited to appoint a representative to the board replacing one of the existing directors, Mr David Hardy, Rowton chairman, said.

Mr Freddie Stirling and Mr Roland Rowe, two directors of the Gresham House investment trust, agreed to step down from the Rowton board and drop their attempt to unseat other existing board members.

Mr Stirling and Mr Rowe had continued their criticism of the other directors' alleged lack of hotel experience despite Gresham House's decision to sell its shareholding to Rushlake.

Two of the four new directors who had been proposed by Mr Stirling and Mr Rowe will be considered for places on the Rowtoo board. If they are rejected, two other directors will be "head-hunted," Mr Hardy said.

Under the agreement reached with Mr Jivraj, who owns four hotels and other property in London's West End, no shareholder who owns less than 50 per cent of the equity will be ahlet to control the board, either directly or indirectly.

At a bad-tempered two-hour meeting yesterday the Rowton board was criticised by shareholders for its management performance. All board resolutions were carried however.

Rowton's shares were unchanged at 312p yesterday.

Booker sees 'substantial increase' in 1984 profits

Booker McConnell, the supermarket and food distribution group which hopes to thwart any renewed bid from its rival, Dee Corporation, is forecasting a substantial increase in profits for 1984.

Booker announced yesterday that profits from its agricultural division which have increased et a compound anoual rate of over 40 per cent since 1980 will sustain this momeotum.

Although its U.S. health product businesses will show a loss, Boker cleims that its "highly successful" health products business in the UK will continue to grow, while the food distribution division is working its way back from a low point in 1982 and will oot show "proper standards of profitability" until 1985.

"In the absence of unforeseen circumstances the board expects a substantial increase in pre-tax profits for 1984 over those for 1983. It continues to be our prime objective to ensure that you do better by retaining your shares in Booker," said Mr Michael Caine, chairman of Booker, yesterday. Booker made a pre-tax profit of £29.5m in the year ended December 31, 1983.

The group also announced it will offer to buy its preference shares at 75p each, representing an exit yield of 8 per cent, compared to Dee Corporation's offer in June of 70p per share, representing an exit yield of 8.6 per cent.

Booker's ordinary shares fell 2p yesterday to 158p.

Foundation taking advice on its Wm. Leech stake

BY RAY MAUGHAN

The William Leech Foundation, which speaks for a pivotal 29.7 per ceot stake in William Leech, the Newcastle-based housebuilding company, is taking independent advice on the £21.45m bid from C. H. Beazer (Holdings).

The board of the building company is still resisting Beazer's approach but the Foundation's appointment of Morgan Grenfell, the merchant bank which advised the Foundation when William Leech was floated seven years ago, means that a key block of votes remains undecided after a full meeting on Wednesday this week.

Mr William Leech, the founder of the company who donated the shares to the Foundation, maintains the right of veto over the Foundation. In the housebuilders' recent detailed defence document, he is reported as saying that he is not in favour of the offer.

He has still not had an opportunity to discuss the offer with members of the Foundation board, however, and is not scheduled to meet them until next Thursday which is the day before Beazer's offer closes. By that time, though, Morgan Grenfell expects to have given its advice.

Leech's shares dropped 6p to 118p yesterday on the basis that Mr Leech's opposition, if sustained, would effectively block the bid.

Midsummer flights bid

BY ALEXANDER NICOLL

MR ADAM PAGE, chairman and joint owner of Swithland Leisure, yesterday sought to convince shareholders of Midsummer Inns that his company is a worthy buyer of its real ale pubs.

Swithland is bidding 215p in cash for each Midsummer share, valuing the USM company at £1.88m. Midsummer, an offshoot of the Campaign for Real Ale movement, says the bid undervalues its assets and fails to reflect its forecast earnings. It also says the owners of Swithland have experience at the "trendy extreme," running discotheques and "fun pubs."

In a letter to Midsummer shareholders, Mr Page says: "We intend to preserve Midsummer's long standing specialisation in real ales and we are far better qualified to run traditional pubs than the present Midsummer board."

Mr Page says Midsummer lacks direction and has provided a "derisory" yield to shareholders.

Public Works Loan Board rates

Effective July 11

Years	Quota loans repaid by EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
Three	11¾	12	12¼	13¼	13¼	13¾
Over 3, up to 4	12¼	12½	12½	13½	13½	13¾
Over 4, up to 5	12½	12½	12½	13½	13½	13½
Over 5, up to 6	12½	12½	12½	13½	13½	12½
Over 6, up to 7	12½	12½	12½	13½	13½	12½
Over 7, up to 8	12½	12½	12½	13½	13½	12½
Over 8, up to 9	12½	12½	12½	13½	13½	12½
Over 9, up to 10	12½	12½	12½	13½	13½	12½
Over 10, up to 15	12½	12½	12	13½	12½	12½
Over 15, up to 25	12½	11¾	11¾	12½	12½	12½
Over 25	11¾	11¾	11¾	12½	12½	12½

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Anglo's gold price alchemy

BY KENNETH MARSTON, MINING EDITOR

SHAREHOLDERS in South Africa's Anglo American Corporation mining, finance and industrial giant can thank the group's gold interests for their 9.1 per cent increase in dividend for the year to last March. And gold is still serving them well despite the fall in the dollar price of the metal.

Mr Gavin Relly, the Anglo chairman, points out in his annual statement that the past year's rise in attributable profits reflected an increase in investment income of R45.6m to R494.8m (£253.3m) which was mainly attributable to higher dividends received from the group's gold interests.

The average U.S. price of gold last year increased by 12.7 per cent to $424 per ounce. But because of the fall in the South African rand against the dollar (or, if you prefer, the rise in the dollar against the rand) the average price in the lower value rands rose by 15.1 per cent to R474 per ounce.

This exchange rate alchemy of turning a falling dollar price in which gold is sold, into higher revenue for the South African mines continues.

Mr Relly notes that in the first half of this year the fall in the U.S. gold price to an average of $381 has been offset as far as the South African mines are concerned by a widening of the exchange rate difference so that the rand price received has averaged R479, slightly more than the 1983 average.

Weakness continues in both the value of the rand and in the U.S. gold price. In London yesterday gold was around $340, not much above its recent two-year low, whereas the rand equivalent had moved up to just over R560.

During the past year Anglo's gold mines reduced the rate of increase in their costs per tonne of ore milled to 8.2 per cent from 14.6 per cent in the previous 12 months, but it looks as if the rate will rise this year.

Mr Relly points out that following the increase in standard wage rates for the white miners of 10 per cent from May 1, the black employees were given a rise of around 14 per cent on July 1 pending the outcome of the current dispute with the black unions.

He says that although some gold mining capital projects have had to be deferred, notably the No 2 main shaft at Western Holdings, the group still expects this year's total capital expenditure to rise by about R100m to approximately R740m.

Meanwhile, the outlook for Anglo's many other interests remains rather cloudy. "The unpalatable fact is that prospects for sustained growth in the western economies are still subject to considerable uncertainty and it seems that we shall have to adjust to lower rates of growth than have been enjoyed generally since the war," says Mr Relly.

Weaker prices lead to lower quarter for Noranda

WITH PRICES for a number of products starting to weaken considerably from March, Canada's Noranda natural resources group recorded lower profits in the second quarter than in the first three months of the year, although the latest figures were well above the depressed levels of a year ago.

Net profits for the latest three months were C$19.4m (£11.1m), which compares with the first quarter level of C$28.8m and C$9.2m in the second quarter of 1983.

This brought profits for the first half of 1984 to C$48.2m, compared with C$1.9m at the same stage of last year.

Noranda said yestreday that while earnings to date represented a considerable improvement over last year, the results in the most recent quarter were disappointing in relation to previous expectations and the actual level of the first quarter.

The most important products to weaken in price after the close of the first quarter were copper, aluminium and lumber, end prices remained well below the levels of the opening three months of the year throughout the second quarter.

Noranda still believes that the recent weakness constitutes a temporary interruption in what has proved to be a "slow and ragged recovery" for the group's products. The various markets are expected to strengthen after the traditional summer lull, Noranda added.

If this happens, Noranda said, and provided there is full production from the timber products group, which suffered a two-month labour dispute during the first quarter, results for the second half should be better than those for the year to date.

Capital expenditure this year is running slightly above last year's level, with the development of the Golden Giant gold mine at Hemlo in north-western Ontario being the largest single item.

Noranda, which has a 50 per cent interest in a joint venture to develop the Golden Giant, said that now the claim dispute with Lac Minerals has been settled.

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Over-the-Counter Market

1983-84 High	1983-84 Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
142	120	Ass. Brit. Ind. Ord.	136	—	6.3	4.8	8.0	10.4
158	117	Ass. Brit. Ind. CULS	144	—	10.0	6.9	—	—
78	56	Airsprung Group	56	—	6.4	11.4	6.1	7.5
38	21	Armitage & Rhodes	35	—	1.4	4.0	—	—
330	141½	Bardon Hill	318xd	—	8.6	2.7	12.8	21.3
58	47	Bray Technologies	47	—	3.5	7.4	5.5	7.8
201	190	CCL Ordinary	190	—	12.0	6.3	—	—
152	121	CCL 11pc Conv. Pref.	136	−2	15.7	11.5	—	—
540	100	Carborundum Abrasives	520	—	6.7	1.1	—	—
249	100	Cindico Group	103	—	—	—	—	—
68	55	Deborah Services	68	—	6.0	9.0	35.3	57.4
228	76	Frank Horsell	228	—	—	—	8.6	15.7
205	75½	Frank Horsell Pr.Ord.87	202xd	+1	8.7	4.3	8.5	13.9
69	25	Frederick Parker	25	—	4.3	17.2	—	—
39	32	George Blair	35	—	—	—	—	—
90	46	Ind. Precision Castings	46	—	7.3	15.9	12.7	15.9
2185	2150	Isis Ord.	2175	—	150.0	6.9	—	—
365	134	Isis Conv. Pref.	328	−2	15.7	4.2	—	—
124	51	Jackson Group	108	—	4.9	4.5	8.0	9.7
255	169	James Burrough	225xc	−23	13.7	6.0	8.0	8.0
92	92	James Burrough 9pc Pf.	92	—	12.9	14.0	—	—
145	100	Linguaphone Ord.	145	—	—	—	—	—
100	99	Linguaphone 10.5pc Pf.	99	—	15.0	15.1	—	—
425	275	Minihouse Holding NV	420	—	3.8	0.9	30.2	33.1
176	73	Robert Jenkins	73	−2	20.0	27.3	8.5	5.7
74	59	Scruttons "A"	49xd	—	5.7	11.8	25.8	8.0
120	61	Torday & Carlisle	78	—	—	—	8.4	17.7
444	385	Trevian Holdings	433	—	—	—	8.8	6.0
26	17	Unilock Holdings	20	—	1.0	5.0	11.4	16.0
92	85	Walter Alexander	82	—	6.8	8.3	5.3	8.5
276	236	W. S. Yeates	245	—	17.1	7.0	5.8	11.7

UK COMPANY NEWS

Crown House rises 35% to £5.2m

A RETURN to profits in tableware operations enabled Crown House to achieve an overall 35 per cent advance in full-year taxable profits from £3.83m to £5.16m.

This turnround offset a £166,000 fall to £3.49m in electrical and mechanical services and losses of £131,000, against profits of £312,000, in property and finance. Employment services contributed more at £278,000 (£140,000).

The improvement in the tableware division followed the rationalisation at Denby in 1982 and subsequent retraining.

In engineering services, the excellent figures from UK contracting in 1982-83 were not maintained, though in the competitive conditions prevailing the result is considered satisfactory by the directors.

Good figures were again recorded in the Arabian Gulf, and some progress was seen in South Africa. The run-down of contracting operations in Western Australia, as announced last year, was completed by March 1984. Full provision for closure costs is included in Crown's extraordinary items, of £32,000 (£246,000).

A marked improvement in profits was achieved by W. J. Furse and Zest Equipment mainly as a result of increased export business, and the divisional figures were much assisted by the disposal of Best and May in September 1983.

Also, a better result was obtained in employment services due to an improving market.

DIVISIONAL PERFORMANCE BREAKDOWN

	Turnover 1983-84 (£m)	Turnover 1982-83 (£m)	Pre-tax profit 1983-84 (£m)	Pre-tax profit 1982-83 (£m)
Electrical and mechanical	131.7	141.1	3.5	3.7
Tableware	42.9	40.0	1.5	0.3†
Property and finance	0.1	0.6	0.1†	0.3
Employment services	2.4	2.3	0.2	0.1

† Loss.

Group sales for the year fell by 4 per cent from £184.12m to £177.14m.

Shareholders are set to receive a higher total payout of 6.4p, against 5.75p, with the directors recommending an increase on the final dividend to 3.9p (3.5p).

Stated earnings per share rose to 13.2p (10.8p) and cover the dividend 2.1 (1.9) times.

The taxable result was struck after lower interest payable of £113,000 (£761,000). Tax took £1.75m (£1.06m) and minority interests accounted for £432,000 (£319,000).

Looking ahead, the directors say that in engineering contracting, it is a continuing problem to maintain an adequate order book in the UK at satisfactory margins. However, they are confident of the immediate future and the longer term.

Overall, the board regards the group's prospects for the current year as reasonably favourable.

● comment

Crown House met unexpected difficulties in remoulding Denby Tableware, bought for what it admits was probably too high a price in 1981. But stoneware manufacture has recovered following rationalisation and the introduction of new ranges. More importantly, Crown is beginning to cash in on the Denby name—applying it to imported china and glass—shifting the emphasis from manufacturing to merchanting which already accounts for about 60 per cent of this division's sales. The group will need increased contributions from tableware since the main electrical and mechanical services business, which installs heating and the like in buildings, has a difficult time ahead with orders scarce home and abroad, margins already down to 2½ per cent and the prospect of a further squeeze in UK construction prompted by increased interest rates. The group must be glad of the £7m cash it has in hand, largely the proceeds of the disposal in September of the Best and May electrical wholesaler, which was bought only in 1980. Crown is keen to expand by increasing tableware sales in the U.S. and developing an instrument-making capacity in the building-related business, but for the moment it must be happy to see its money earn interest. The group should make £5.5m pre-tax in the current year, putting the shares at 107p, down 3p on a prospective p/e of over seven on a 35 per cent tax charge.

Ratners back in the black as margins strengthen

A RETURN to pre-tax profits of £1.07m against losses of £350,000 was achieved by Ratners (Jewellers) in the year to April 6 1983, following a noticeable improvement in margins. Turnover increased from £25.94m to £27.61m.

Trading continues at a satisfactory level during the current period, says Mr L. M. Ratner, the chairman. However he emphasises, once again, that the major part of sales and profits are achieved in the second half.

At the halfway stage losses were cut from £1.1m to £373,000 and the directors expected a realistic profit to be achieved for the year, with a greater contribution arising in the second half.

During the period under review margins were improved by placing greater emphasis on merchandise which showed a better return and by eliminating less profitable elements from stock.

During the year four branches were opened in shopping centres at Brent Cross, Ealing Broadway, Inverness and Wakefield.

The net final dividend has been held at 1.63p which maintains the total at 2.3p. Earnings per 10p share are shown as 2.56p against losses of 1.46p.

Tax took £307,000 (£83,000) and there were extraordinary credits of £83,000 (£108,000) including property profits this time of £291,000.

The profit for the year emerged at £843,000 (loss £325,000)

Consumer spending rise boosts Stirling result

AN UPTURN in consumer spending helped raise Stirling Group's pretax profits for the year to March 31, 1984 by 20 per cent from £1.25m to £1.5m, and current trading "remains firm," the directors say.

Marks and Spencer, this garment manufacturer's chief customer, contributed to the result by increasing its purchases by over 10 per cent, responding to Stirling's fashion design and production strategy.

The board is proposing a final dividend of 1.1p (0.75p), giving a total for the year at 1.80p, against 1.25p last time. This is in line with the directors intention of reducing high dividend cover. They also propose a 3-for-2 scrip.

Sales for the year improved by £1.6m to £17.23m. Total tax, including deferred tax of £302,000 (£336,000), took £842,000 (£624,000), and the group profit after tax and dividends emerged at £754,000 (£556,000).

Earnings per 20p share after current and deferred tax were given as 14.68p against 11.18p last time.

The directors attribute the improvement in margins to increased efficiency and raw material price stability.

A new factory has been opened and handling systems improved. Cutting has been centralised and computer cutting introduced. The directors point out that the year's results have been achieved without an increase in borrowing.

APPOINTMENTS

British Aerospace finance post

Mr Richard Smith Wright has been appointed financial director of the aircraft group of BRITISH AEROSPACE. He succeeds Mr R. H. Sawyer, who has retired. Mr Smith Wright, who will be based at group headquarters at Kingston, was formerly divisional financial director of the group's civil division at Hatfield.

*

Mr M. Ohyama has been promoted to deputy general manager of the DAIWA BANK, London branch, with overall responsibility for the bank's international banking activities. Mr A. Otani has been appointed senior assistant manager at the London branch. Mr Otani was senior assistant manager of the international planning division in Tokyo.

*

Mr Gerard Lamers of The Dutch Dairy Bureau in London, has been appointed vice-chairman of the BUTTER INFORMATION COUNCIL, following the retirement of Mr Alan Boardman of Adams Foods.

*

SENTRY INSURANCE, part of the Sentry Group, has restructured its management team: Mr Val Olson, previously president of Creative Management Alternatives Inc, Sentry USA, joins as chief executive and deputy chairman. Mr Roy Hurley is appointed director and general manager (insurance operations) and Mr John Brazier director and general manager (non-insurance operations). The newly created post of head of marketing is filled by Mr Philip Haynes who was previously marketing director for Citibank's UK subsidiary, Citibank Savings. Mr George Lowe is appointed general manager (casualty).

*

Air Commodore Bobby Robson has been appointed director of public relations (Royal Air Force) from July 20. He succeeds Air Commodore Philip Walker who has had to retire through ill-health.

*

KLP GROUP has made the following appointments to the board of Lloyd Ellerton, the group's sales promotion service company: Mr Michael Price, managing director, is appointed chairman, while Mr Patrick Leventon becomes managing director, from sales director. Mr Guy Jackson is appointed a director, with increased sales administration and business growth responsibilities. Mr Eric Winnington (production) and Mr Chris Stiling (creative group) have also been

*

Mr Richard Gooding will succeed Mr Dan Brewin as MANCHESTER INTERNATIONAL AIRPORTS director of operations on July 12. Mr Gooding has been employed by the Airport Authority as head of ramp and terminal services since September 1981. Mr Brewin is joining British Caledonian as general manager sales, UK.
appointed directors.

*

THE LONDON INVESTMENT TRUST (LIT) has appointed Mr David J. Sebire and Mr Richard W. Rose as non-executive directors. Mr Rose is also director of Shatkin Trading Co, LIT's wholly owned commodity clearing and broking subsidiary in Chicago.

*

Mr R. J. Kirkman has been appointed finance director of WINGATE PROPERTY INVESTMENTS. He was finance director at F. W. Woolworth.

*

Mr Geoffrey A. Stuart has been appointed group pensions manager designate of McCORQUODALE. He succeeds Mr Eric N. C. Eustance as group pensions manager when Mr Eustance takes up the appointment of group treasurer in the autumn.

*

Two directors have joined the board of the MERSEY DOCKS AND HARBOUR CO: Mr John Beswick joins the board as a Government appointed "A" director, filling the vacancy left when Sir John Page retired in October 1980. Mr Beswick was appointed director general of the British Ports Association, a position which he held until September 1983. Mr Terence Edwards is the senior partner in the firm of Bullimore Chartered Accountants as well as being managing director of Edwards Securities. He is appointed as a "B" director.

*

ELECTROCOMPONENTS has appointed Mr John Robinson group managing director from August 1. Until recently, Mr Robinson was with the LCP Group, having joined them in 1978. His time with LCP included three years as group finance director. In 1982, he moved to the U.S. to take over as president of Whitlock, a subsidiary of LCP engaged in the retailing of automotive components.

*

SENETEK has appointed two directors. Dr Alan Kline, chairman of Xicor, joins as a non-executive director, and Dr John Bennett, vice president of Syntex, joins as managing director/chief executive. Dr Daniel Grafstein has become vice chairman/chief operating officer.

*

NOMURA INTERNATIONAL has appointed Dr Andreas R. Prindl as managing director of Nomura International and Nomura Europe N.V. (Amsterdam). Dr Prindl was a vice president at Morgan Guaranty Trust Company of New York. Nomura International is a wholly-owned subsidiary of the Nomura Securities Company.

*

Mr Colin McNamee has been appointed sales director of the TEDDINGTON refrigeration and appliances controls companies. He joins from the McKechnie Engineering Group, where he was sales director.

BASE LENDING RATES

A.B.N. Bank	12 %	■ Hill Samuel	§12 %
Allied Irish Bank	12 %	C. Hoare & Co.	†12 %
Amro Bank	12 %	Hongkong & Shanghai	12 %
Henry Ansbacher	12 %	Kingsnorth Trust Ltd.	10 %
Armco Trust Limited	12 %	Knowsley & Co. Ltd.	12½%
Associates Cap. Corp.	10 %	Lloyds Bank	12 %
Banco de Bilbao	12 %	Mallinhall Limited	12 %
Bank Hapoalim BM	12 %	Edward Manson & Co.	13 %
BCCI	12 %	Meghraj and Sons Ltd.	12 %
Bank of Ireland	12 %	Midland Bank	12 %
Bank of Cyprus	12 %	■ Morgan Grenfell	12 %
Bank of India	10 %	National Bk. of Kuwait	12 %
Bank of Scotland	12 %	National Girobank	12 %
Banque Belge Ltd.	12 %	National Westminster	12 %
Barclays Bank	12 %	Norwich Gen. Tst.	12 %
Beneficial Trust Ltd.	13 %	People's Tst. & Sv. Ltd	10 %
Bremar Holdings Ltd.	10 %	R. Raphael & Sons	12 %
Brit. Bank of Mid. East	12 %	P. S. Refson & Co.	12 %
■ Brown Shipley	12 %	Roxburghe Guarantee	12½%
CL Bank Nederland	12 %	Royal Trust Co. Canada	10 %
Canada Perm't Trust	12 %	■ J. Henry Schroder Wagg	12 %
Cayzer Ltd.	12 %	Standard Chartered	‖12 %
Cedar Holdings	12 %	Trade Dev. Bank	12 %
■ Charterhouse Japhet	12 %	TCB	12 %
Choulartons	12½%	Trustee Savings Bank	12 %
Citibank NA	12 %	United Bank of Kuwait	12 %
Citibank Savings	¶ 9 %	United Mizrahi Bank	12 %
Clydesdale Bank	12 %	Volkskas Limited	12 %
C. E. Coates & Co. Ltd.	12½%	Westpac Banking Corp.	12 %
Comm. Bk. N. East	12 %	Whiteaway Laidlaw	12½%
Consolidated Credits	12 %	Williams & Glyn's	12 %
Co-operative Bank	*12 %	Wintrust Secs. Ltd.	12 %
The Cyprus Popular Bk.	10 %	Yorkshire Bank	12 %
Dunbar & Co. Ltd.	12 %		
Duncan Lawrie	12 %		
E. T. Trust	12½%		
Exeter Trust Ltd.	10½%		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	10 %		
■ Robert Fleming	12 %		
Robert Fraser	12½%		
Grindlays Bank	‡12 %		
■ Guinness Mahon	12 %		
■ Hambros Bank	12 %		
Heritable & Gen. Trust	12 %		

■ Member of the Accepting Houses Committee.
* 7-day deposits 8.75%. 1-month 9.50%. Fixed rate 12 months £2,500 10.75%; £10,000 12 months 11%.
† 7 day deposits on sums of under £10,000 8¾%, £10,000 up to £50,000 9¼%, £50,000 and over 10%.
‡ Call deposits £1,000 and over 8¾%.
‖ 21-day deposits over £1,000 9¾%.
§ Demand deposits 8¾%.
¶ Mortgage base rate.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

A German in Brazil

Lure of the good life

Andrew Whitley contributes the fourth in an occasional series

AT THE age of 40 Hanns-Rainer Sommer has reached a crossroads all too familiar to many other expatriate high-fliers. Should he stay abroad in the exuberant, easy-going country where he is happily settled, or should he accept the promotion that is his due and go back to head office in West Germany?

After a decade abroad, seven of those years in Brazil and three in Iran—during the heyday of the Shah—he finds it hard to imagine being back to grey, drizzly Frankfurt am Main.

Personal considerations inevitably intervene in the Sommers' decision over where he should go next professionally. His Danish wife, Birgit, 38, was brought up in Brazil and still has relatives in Sao Paulo, 50 minutes' flying time or a six-hour drive away. The weekends they and their two daughters, 12 and 9, spend riding at their relatives' ranch in the rolling green hills of Sao Paulo State would be hard to leave behind.

So too would the six-berth boat they share with a German colleague. The boat is moored an hour's drive out of Rio de Janeiro on the spectacularly beautiful Angra Dos Reis bay.

The fact that Birgit was already familiar with the country, spoke Portuguese—a very necessary skill for survival here—and, as Rainer says, was used to the Brazilian mentality, made settling in originally an easy process. Rainer Sommer emphasises the importance of the family's adjustment to a new country when weighing up the pros and cons of a job move.

Sommer, an elegant, charming man, is managing director of Lurgi do Brasil, a wholly-owned subsidiary of the West German engineering group Lurgi which, in turn, is part of Metallgesellschaft A.G.

Professionally speaking, the past few years have undoubtedly been frustrating for him. When he arrived in Brazil in 1977, the Rio de Janeiro office was a booming profit centre for the group, with a staff of 35. Contracts with Lurgi's main clients, state companies, were flowing in.

Since then, through no fault of his own, there has been a fairly steady slide downhill. The industry is going through a painful shrinking process worldwide, and in Brazil business has virtually dried up. The struggle now is to keep open the Rio branch as a representative office over the next two or three expected lean years, until the recession and IMF-hit Brazilian economy is back on its feet again.

For a man like Sommer, with his two doctorates in Mechanical Engineering and Economics, Lurgi's recent record in South America must be *galling*. It is small comfort to know that none of his international competitors have been doing any better.

Hard too, at times, to keep faith with a country such as Brazil — whose enormous potential is apparent to any newcomer, in the midst of the deepest crisis—when its government is pursuing what Sommer believes is a self-defeating policy of protectionism against high-tech foreign companies such as his own.

Lurgi specialises in sophisticated process engineering equipment, often custom-made, shipped from West Germany rather than bought-in locally. *Thus*, one of Rainer Sommer's chief concerns is naturally the protection of his company's patents against the predatory attention of local rivals.

Doing battle with Cacex, the foreign trade authority, and the Instituto Nacional de Propriadade Industrial (INPI), two of the host of government regulatory bodies in bureaucratic Brazil, over patents and the licensing of imports has been gruelling.

Coping with the roller-coaster of government policy switches in recent years has demanded a steady nerve and an ability to keep head office calm. "In Brazil a long-term provision is one year," he says, adding, "how do I know if tomorrow there won't be a maxi-devaluation, or restrictions on dividends—or even whether foreign managers will be banned?"

One option Rainer Sommer is considering is to suggest moving the Brazil office to Sao Paulo, where 60 per cent of the country's industry is located and other German companies are thick on the ground.

Rio's dilettante image is hard to live with sometimes, especially when dealing with head office visitors. When his colleagues from Frankfurt come down and hear Sommer's complaints about the problems he faces, they smile and shake their heads, as if to say: "But at least you have Rio." And, in a sense, they are right.

Not that he believes the move will bring about an immediate increase in business. The motivation is more the sense of professional isolation he feels in "playboy" Rio de Janeiro. In addition, as he admits, most of his friends are in Sao Paulo.

At a personal level, getting used to skyscraping rates of inflation (last year it jumped from an annual rate of 100 per cent to 210 per cent over the 12 months) takes some doing. But for anyone earning in hard currency life in Brazil these days is cheap indeed. Best cuts of beef at 90p a pound and change from a pound note for a five mile taxi ride takes any Briton or West German back 30 years in terms of prices.

Unusually for Rio, the Sommers live in a house rather than a high-rise flat near the beach, the preferred way of life for most foreigners and better-off Brazilians. The preference is part natural inclination and partly motivated by reasons of security, because of the ever-present risk of armed robbery.

The Sommers' large, comfortable house in Jardim Botanico, a discreetly superior neighbourhood set back against the vertiginous hills surrounding the city, is a tranquil oasis away from the noise and bustle elsewhere.

Lurgi is a good employer for Sommer in many ways. Annual holidays of 33 working days make his American counterparts ill with envy and give the Sommers plenty of time to do what they like most, travel and take photographs. Paid trips home, at once every two years—explicitly for briefings with senior management—are, on the other hand, not nearly as generous as those provided by U.S. or British companies—although typical for German industry.

Like many another expatriate manager, Rainer Sommer complains, albeit mildly, about the lack of comprehension head office sometimes shows for the "reality" of Brazil. He finds a frequent conflict of interest between headquarters and the foreign branches, especially at times of economic difficulties.

Frankfurt may be right in strictly legal terms on any given issue. But Sommers has to cope with the situation on the ground, in a country where flexibility is perhaps one's most important asset.

As a foreign employer he is conscious of the need to provide better working terms than a local company would and of the pains of sacking employees. Last year he was forced to dismiss 10 people, half his staff, and the "social reality" of Brazil hit home.

"It was awful. I knew they wouldn't be able to find work for at least six months," he said.

Brazil has spun its spell on many an expatriate manager, often people in the prime of their careers, as opposed to those nearing the end of their days and dreading the prospect of going back home to staid retirement. Like the British in India, many foreigners simply choose to stay on in Brazil when the time to move finally comes.

For those used to the wide-open spaces, the big challenges and broad brush issues—often, literally, of life and death—in a country such as this, it is hard, as Sommer says, to accept the narrow-mindedness and parochial attitudes found in Western Europe.

Acclimatisation leads to acculturation and, almost imperceptibly, often ends up with national identification. But will there be work for someone like him in the Brazil of the next decade? And, if so, will he be able to keep himself and his family in the style to which they have become accustomed?

Previous articles in this series appeared on January 11, March 7 and April 6.

WORKING ABROAD

Training for 'supermanagers'

Same thing, new jargon

SO MANY British managers were avid for communications courses that the researchers surveying demand for training decided to probe deeper. They therefore asked the survey sample precisely what was expected from the communications courses which towered over all other forms of management training in the popularity league.

It turned out that the managers believed the courses would teach them how to give orders in such a way that subordinate staff would obey them enthusiastically in every detail. In short, they expected the training to equip them with a managerial magic spell.

That bizarre survey finding dates from the early 1970s, but a new study* by London Business School and the Egon Zehnder International headhunting concern suggests that Britain's top executives still indulge in the same wishful thinking. The study was made late last year and covered senior line managers and personnel chiefs in 50 of the country's biggest companies.

On the one hand, the people questioned were largely agreed that their organisations need managers who will lead forcefully from the front. "We want hard-nosed, tough people," was one typical response. Another was: "Success is with the tough-minded in the 1980s. Yet we have an abundance of people who were brought up in the 1960s and 1970s with a belief in the sanctity of human beings. They are the products of the social sciences and are now in the wrong place at the wrong time. We may just have to move them all out."

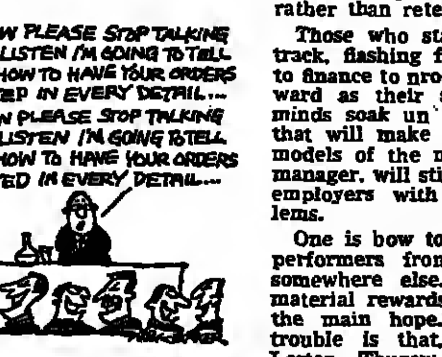
On the other hand, the chiefs surveyed were equally agreed on the increasing importance of ensuring that the hard-nosed leaders are followed wholeheartedly by their subordinates. "As technology becomes more sophisticated, the time a manager has to devote to routine and administrative tasks is substantially reduced so he must act quickly and induce staff to act with him effectively," said a third typical answer.

How, therefore, do the modern masterminds of British big business propose to ensure that their steely managers' orders are obeyed in full, instead of sidetracked or down-right sabotaged by the workforce.

The answer is by sending the toughies on courses, not in anything so outmoded as communications," but in "interpersonal skills." The training provided boils down to exactly the same sort of thing, of course, but the 1980s title represents a marked advance in the use of jargon.

Even if the added gobbledygook at last sets the magic working, the companies' management problems won't necessarily be solved. They will evidently be hard pressed to find enough tough raw material suitable for sending on the miraculous courses.

For the study suggests that, with the exception of the chiefs who took part in the survey and a handful of others, the executive offices of many of the companies are crammed with dummies. "Of the top 30



people, 10 are high-calibre business people . . . leaders and achievers in every sense," was a further typical response. "We have an excess of mediocre, poor general managers," complained someone else. Another sighed: "The surpluses should have been weeded out long ago."

That last wish might perhaps be fulfilled by fixing the courses so as to work their miracles retroactively. It surely should not take much extra to enable them to vanish unwanted managers on a backdated basis.

Vanishing the "surplus of second rate people" would still leave the problem of how to materialise a sufficiency of first raters in their stead. These apparently cannot be conjured up by magical management schools. The chiefs questioned mean to do the job themselves despite what they acknowledge to be cutthroat competition to recruit the requisite talented *toughies*—who by the nature of things are aged 30 to 45.

Even of these, only the hardest nosed will last long. It seems that all the companies in general can offer to most of them is a managerial life distinctly nastier, more brutish and shorter than has been vouchsafed to their predecessors. "It is not as easy as it was to let young people succeed. The margin for error is so much smaller. The pressures on them are enormous," said one of the chiefs. The report by London Business School and Egon Zehnder on the study's findings goes farther:

"With the oversupply of labour (if not of super talent) the managerial assessment process may become as vicious as the common entrance examination, the 11-plus, or Oxbridge entrance. Individuals will have one chance and one only. Assessment for the 'fast track' is primarily about rejection rather than retention."

Those who stay on the fast track, flashing from marketing to finance to production and onward as their super-absorbent minds soak up the experience that will make them the very models of the modern general manager, will still present their employers with certain problems.

One is how to keep the star performers from zooming off somewhere else. Stupendous material rewards appear to be the main hope. The only trouble is that, as Professor Lester Thurow observed in "The Zero Sum Society," the more people are paid, the greater material wants become, making them expect more pay still. Even if they get it, news that someone else is doing better is liable to set their feet itching just the same.

Promotion prospects will be quite irrelevant to the problem of retaining the new breed. To them, promotion will not be a reward as it was to their predecessors. It will be a necessity. It they are not to be fired early on, they will have to rise to the top of the organisational tree by their mid-30s. They might well then refuse to be dislodged from there even by prods from the hard noses of the late-20s generation trying to climb up.

"I do not think we or anyone else have really addressed these problems," commented another of the chiefs taking part.

Am I alone in saying: "Hear, Hear"?

* *Management Resources—Present Problems and Future Trends.*

Michael Dixon

TECHNOLOGY

EDITED BY ALAN CANE

SOFTWARE AUTHORS WORLD-WIDE SEEM TO THINK ALIKE

Are these trends or just trendy?

BY ALAN CANE AND LOUISE KEHOE

TALK TO any one of the top software houses these days and you've talked to them all.

That's an exaggeration, of course, but the innocent abroad in the software world does tend to suffer from a kind of technological deja vu as a succession of aggressive, hustling software houses highlight the features which distinguish their latest microcomputer software offering.

What is remarkable is that these features, developed by companies as geographically spread as Massachusetts, Kansas and London, are frequently identical.

These are, of course, the megatrends, of which the most significant by far is the move towards integrated software, software packages in which the programs to carry out several different tasks are integrated together on a single computer storage disk.

First in the market place in 1982 with this kind of software was Lotus Development Corporation with its 1-2-3 package which incorporated a spreadsheet, a files manager and graphic displays.

Helped by a massive promotional campaign, it was an instant success and at £375 in the UK is still a big seller.

A recent issue of the U.S. software monthly Software News, shows 1-2-3 at number four in its best seller list; no other integrated package is in the top 25.

All of that is set to change, however. In the UK, a small software house called Psion (see this page, July 3 this year) has launched an integrated package called "Xchange" which combines word processing, a spreadsheet, a filing system and a graphics module all for about £495.

In the U.S., Ashton-Tate, which has already made a fortune from its Dbase II filing management programme is beginning to ship "Framework," an integrated package combining word processing, a spreadsheet, a filing system and graphics.

Also in the U.S., Innovative Software has launched an integrated package called "Smart" which incorporates word processing, a spreadsheet, file management and, yes, graphics.

There are others and there will be more: Lotus itself has come back for more success with a new integrated system called "Symphony" which adds communications, word processing and windowing to the functions featured in 1-2-3.

Launched in the UK in the past couple of weeks, an ebullient Lotus is already claiming orders for Symphony worth £1.3m at retail prices.

Mr Mitch Kapor, Lotus president is quietly confident about the way his new software will perform against the new, aggressive opposition: "It is easy to take too many things at face value but we have actually shipped our product. We said we would ship it in the first week of July and we have kept that promise—and that will make a large difference"

What is interesting about the new packages is the attention paid to the individual components of the integration. 1-2-3 was basically a superspreadsheet with graphics and file management added to make life easier for the user.

Company executives for the new integrated packages are claiming supremacy for each individual part of their product—and they are prepared to sell them separately as well.

Dr David Potter of Psion, for example, says that the spreadsheet in Xchange is: "More powerful than Multiplan" (a Microsoft spreadsheet that was top of the software pops in the U.S. in May). The file manager, is he says, a relational database, a sophisticated way of filing information so that it can be recalled in many different ways according to the needs of the user.

Innovative Software is quite candid about the way it set about creating a superlative set of packages for Smart; they listed all the best features they had seen in existing dedicated packages: "We had a 19 page list of minimum requirements for the data base package" recalls Michael Brown, Innovative President.

Innovative Software sells its complete Smart package for £635 but the database manager and spreadsheet with graphics separately for £350 each. The word processor costs £280 separately.

In contrast, Symphony and Framework are only available in integrated form. Mitch Kapor is unfussed: "Symphony as it stands makes the best use of the IBM PC."

"Two factors are important here. Understanding the market and using fully all the functionality of the IBM Personal Computer. For the next generation of *hardware*, it is likely that I would not build an all-in-one package. But if you're in the forest you build a log cabin—*not the Taj Mahal*."

Other trends include:

- A tendency to write in the "C" computer language, used in the writing of Unix and Unix-like operating systems (see this page July 9 this year) which makes it simpler to move software from one make of microcomputer to another.

  As Dr Potter of Psion says: "We can develop software for machines which do not yet exist."
- Simplified key stroke languages. Innovative Software calls this project processing. Lotus calls it Command Language. Xionics, a UK-based software house calls it Keystroke Procedural Language (KPL).

  The theory is the same. The computer can be so programmed to carry out a particular task, usually a repetitive one, with only a single keystroke or two.
- Interrupt handling. All microprocessors have built in mechanisms which enable them to be switched from one task to another without losing the thread of their activities.

Psion's Xchange and Boland International's Sidekick, described below, carry out the same function for humans.

What will be the next megatrend? Mitch Kapor is beginning to talk about a "Visicalc of the conceptual area" a spreadsheet for ideas, where changing one concept would result in changes rippling through a whole matrix of stored thoughts. "It's a long way off" he says thoughtfully—but not too convincingly.

A program for the much interrupted

TOO MANY personal computer applications programs seem to be solutions looking for problems. The opposite is however true of a product launched recently by Boland International of Scotts Valley, California.

"Sidekick" solves a problem that is only too familiar to many business users of personal computers. People typically do several things at once, computers on the other hand, take one task at a time.

The phone rings, you are right in the middle of writing a report, performing a spreadsheet program or entering material into a filing system. The caller is inevitably talking about something else.

The interruption is more than a nuisance. It may mean that the computer user must go through the process of storing the file he is working on, entering a new program, noting the business of the phone call and then reversing the whole process.

In practice, many people would instead grab a notepad and scribble something to remind them to do it later. We all know that happens to such notes.

Sidekick relieves the situation. Entered into the computer memory before the user plugs into their word processing, data base or spreadsheet program, Sidekick provides a *computerised notepad* that won't get lost.

Another example of Sidekick's use might be the need to make a calculation, or find a phone number in the middle of some other job.

Sidekick includes "the most commonly used business tools on line and accessible in tandem with other software programs already in use," explains Philippe Kahn, President of Boland International. A single keystroke calls up the Sidekick program and allows the user to *choose* a calculator, calendar or notepad, a telephone directory or automatic dialler for the telephone.

One more keystroke and the user can return to his original program which will have been suspended at the exact point where he left off.

Sidekick is priced in the U.S. at $49.95 and sold 5,000 copies in the first week since its release last month. "Not even Lotus 1—2—3 did that," boasts Mr Kahn. He predicts that Sidekick will be the best seller of the year.

Currently, Sidekick is available for use on IBM Personal Computers and IBM-Compatible machines. Boland is also developing a version of the program for the ACT Apricot which will be available in about a month.

In Britain, Sidekick is distributed by Altor of Glasgow.

COMPUTING

'The Bunch' faces a 'bleak' future

BY GEOFFREY CHARLISH

IN A hard hitting analysis of the mainframe computer market, New York stockbrokers Paine Webber describe the outlook for "The Bunch" (Burroughs, Sperry, Univac, NCR, Control Data and Honeywell) as "bleak."

Paine Webber analyst Jonathan M. Fram identifies several problems areas. Primarily, there has been an erosion of demand for general purpose mainframes with the emergence of smaller machines of growing power applied to specific tasks. Examples are Wang (word processing), Apple (personal computers) and Cray (high powered scientific processing).

According to Fram, only general business tasks like billing, database management and network management are "truly well suited to mainframes," but that market *segment* "has become saturated."

He claims that nearly half the applications currently being run on mainframes could be performed on special purpose machines. The present market base is more to do with customer inertia and conversion costs than the attributes of the computers.

The second problem for the Bunch centres on their difficulties in coming up with the new machines for the remaining suitable mainframe applications. By the late 1970s the mainframe market had been staked out, and the companies turned to "ploughing" their existing installed base with upgraded machines.

Meanwhile, however, IBM had been faced with competition from the plug-compatible manufacturers and was becoming aware of the growing technology of Japanese companies like Fujitsu and Hitachi. Paine concludes that IBM, unlike The Bunch, was forced to push technology (and spend more money in doing so) in order to compete.

In Fram's view, the basic technology gap between The Bunch and IBM plus its plug-compatible competitors "has widened to the insurmountable." IBM is becoming formidable in terms of semiconductor research and application and at the same time the market base from which The Bunch can finance similar research has been getting smaller.

Inter-chip signal delay times are at the heart of the problem. Large, powerful machines imply considerable numbers of semiconductor "chips." Faster processing means that the short time it takes digital pulses to get from one chip to another over an inch or two of wire has become a bottleneck.

In its thermal conduction module (TCM), IBM has overcome the difficulties of packing the chips and removing the concentrated heat that arises. "The problem" says Fram, "is that it is estimated IBM spent several billion dollars over several years in developing TCM, an expenditure that none of The Bunch could afford."

One outcome is that both Sperry and Control Data procured licensing agreements with Trilogy, which has been working on technology aimed at putting the whole computer on one big wafer-chip, reducing interconnect times to the absolute minimum. Fram thinks this rallying round Trilogy, while natural, is "to some degree desperate."

There are other ways of improving performance, such as non-synchronous internal operation of the processor, or the use of multiple, loosely coupled processors. But that means a change of basic architecture for The Bunch companies, implying conversion for their customers. The door is then opened to other vendors, who, if they have to change, might as well consider all the options.

The New York analyst is also doubtful about both networking and software futures for The Bunch. He thinks they will not be able to keep up with IBM in falling in line with SNA (systems network architecture), IBM's prime communications protocol. At the same time, the vast amount of software written for IBM systems (internally and by software houses) acts against sales of Bunch hardware.

Paine Webber, in the same document, weighs up the prospects for the companies. It rates NCR, with strong roots in point of sale, least likely to suffer from mainframe challenges. Burroughs is seen as "the most exposed," with top management "unaware of the deficiences of the mainframe as the workhorse of the computer industry."

Analysis

Atom trap for chemists

PYE UNICHEM has recently introduced a new device for flame-atomisation atomic absorption spectrophotometers it calls a slotted-tube atom trap (STAT).

The use of this new device makes possible determinations that were hitherto impossible Pye claims, pointing out that using the STAT, lead can be detected at concentrations as low as 0.0035 parts per million (ppm) compared with 0.095 ppm using conventional techniques.

Cadmium can be detected in concentrations as low as 0.0005 ppm (0.001 ppm conventionally) and zinc at concentrations of only 0.0004 ppm (0.0068).

The device uses a slotted silica tube which increases the amount of time the atoms spend in the spectrophotometer light beam and so improves sensitivity and detection limits. More on 0223 358866.

Software

Investment aid for planners

INTERNATIONAL Microcomputer Software Inc (IMSI), a U.S. West Coast software publisher has launched a software package aimed at serious investors and financial planners.

Among the claimed features are: weighs investment risk and return using modern portfolio theory, handles all kinds of securities with single or multiple portfolios, stores up to 1,000 positions per portfolio and accesses several financial databases for automatic updates on security prices.

The software is available for the IBM PC and its clones, DEC Rainbow, Wang PC, NCR Decisionmate with 128K of memory and two disk drives.

Versions are also available for machines that run under CP/M 80 with 48K of RAM.

The program, which costs $275 in the U.S., was designed by The Walton Group in Boston.

UK distributors of IMSI's products are P and P Micro Distributors, Ferrari Software and Software Limited.

Instruments

Linking plotter to oscilloscope

PHILIPS CAN offer a link between its PM8154B intelligent X-Y plotter and the PM3305C digital storage oscilloscope.

Both instruments are IEEE bus-compatible and can be connected together without any form of controller or intermediate equipment—software is employed instead. A simple connecting cable is all that is needed and is supplied as part of the package.

The plotter uses A4 paper on which can be created graphs, bar-charts, pie-charts and similar material in six colours. Alternatively, hard copy can be made in three colours of the memory contents of the 3305C 'scope at 400 per per second.

The combination is available in the UK for £3,943, a saving of £400 over the separate purchase of the two instruments. More from Pye Unicam, Cambridge, on 0223 358866.

Electronics

Single board Unix computer

TADPOLE TECHNOLOGY of Cambridge has launched a computer circuit board combining a multi user computer with high resolution colour graphics.

Based on the Motorola 68000/10 16-32 bit processor, the product is offered with Unix System V.

The company is aiming at manufacturers of Unix-based computers in the UK and U.S.A. According to the company, its new board at about £2,000 will offer exceptional price performance compared with existing products. More on 0223 861112.

COMPSOFT COMPSOFT COMPSOFT COMPSOFT

Copies of this document, each having attached thereto the documents specified herein, have been delivered to the Registrar of Companies for registration.

This document includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to Compsoft Holdings plc (the "Company") and its subsidiary, Compsoft Limited. The Directors of the Company (the "Directors") have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the Directors accept responsibility accordingly.

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the ordinary shares of the Company in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to listing.

The procedure for application is set out at the end of this document, together with an application form. The application list will open at 10 a.m. on Thursday, 19th July 1984 and may be closed at any time thereafter.

COMPSOFT HOLDINGS plc

(Incorporated in England under the Companies Acts 1948 to 1980 Number 1608995)

Offer for Sale by Tender by Kleinwort, Benson Limited

of 1,891,145 ordinary shares of 5p each at a minimum tender price of 120p per share, the price tendered being payable in full on application

Share Capital

AUTHORISED:
£500,000 in 10,000,000 ordinary shares of 5p each

ISSUED AND TO BE ISSUED FULLY PAID:
£380,000 in 7,600,000 ordinary shares of 5p each

The ordinary shares now offered for sale will rank in full for all dividends hereafter declared, paid or made on the ordinary share capital of the Company.

Cash Balances and Indebtedness

At 29th June 1984, the Company and Compsoft Limited (collectively "Compsoft" or the "Group") had balances at banks totalling £209,807.

At that date the Group had no overdrafts outstanding but had outstanding a secured mortgage loan of £335,990, finance lease commitments of £517,760 and hire purchase commitments of £80,272. Apart therefrom and save for intra-group indebtedness, neither the Company nor its subsidiary had at that date any loan capital (including term loans) outstanding or created but unissued or any mortgages or charges or any other borrowings or indebtedness in the nature of borrowing, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments or guarantees or other material contingent liabilities.

Highlights

The following information is derived from the full text of this document and accordingly should be read in conjunction with that text.

Business

The principal business of Compsoft is the design, development, production and distribution of its database management software. Compsoft is a leading independent British software house in the database management software market for business micro-computers. Its products are marketed in the UK and since very recently in many of the countries of Continental Europe in local language versions.

Turnover and profit before tax for the five financial periods ended 31st March

	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000
Turnover	9	43	253	750	1,329
Profit before tax	4	3	90	245	543

Share capital

7,600,000 ordinary shares of 5p each issued and to be issued fully paid

Offer for Sale statistics at the minimum tender price of 120p per share

Market capitalisation	£9.12 million
Earnings per share for the year ended 31st March 1984*	4.68p
Price earnings multiple	25.6 times
Gross divideod yield based on a dividend per share of 1.5p**	1.79 times
Dividend cover based oo earnings and dividends per share of 4.68p and 1.5p respectively	3.1 times
Net tangible assets at 31st March 1984 adjusted for the net proceeds of the Offer for Sale	£946,000
Net tangible assets per ordinary share	12.5p

*Calculated on the basis of the profit after taxation of £327,413 and of 7,000,000 shares, being 1,000 shares of £1 each in issue at 31st March 1984, adjusted for the capitalisation issues and reorganisation of capital since that date.

**If the shares in the Company had been quoted on the Unlisted Securities Market throughout the financial year ended 31st March 1984, the Directors would have recommended dividends in respect of that year totalling 1.5p per ordinary share (equivalent to 2.14p gross with the related tax credit).

Directors and Advisers

Directors
Patrick Nicholas Horgan
Heather Lynn Kearsley
James Miller
Professor David Victor Canter
all of Compsoft Holdings plc, Hallams Court, Shamley Green, Nr. Guildford, Surrey GU4 8QZ

Secretary and Registered Office
James Miller, CA
Hallams Court, Shamley Green, Nr. Guildford, Surrey GU4 8QZ

Issuing House
Kleinwort, Benson Limited
20 Fenchurch Street, London EC3P 3DB

Auditors and Reporting Accountants
Deloitte Haskins & Sells, Chartered Accountants
128 Queen Victoria Street, London EC4P 4JX

Solicitors to the Company
Outred & Co.
10 Oxford Terrace, Guildford, Surrey GU1 3SS

Solicitors to the Offer for Sale
Herbert Smith & Co.
Watling House, 35-37 Cannon Street, London EC4M 5SD

Stockbrokers
Laurence, Prust & Co.
Basildon House, 7-11 Moorgate, London EC2R 6AH

Bankers
Coutts & Co.
188 Fleet Street, London EC4A 2HT

Registrars and Transfer Office
National Westminster Bank PLC, Registrar's Department
P.O. Box 82, 37 Broad Street, Bristol BS99 7NH

Receiving Bankers
National Westminster Bank PLC, New Issues Department
P.O. Box 79, 2 Princes Street, London EC2P 2BD

Description of the Group

INTRODUCTION

The increasing use of micro-computers in business applications continues to create a growth in demand for software designed to facilitate the management of data in a logical, efficient and flexible manner.

The principal business of Compsoft is the design, development, production and distribution of its database management software. Compsoft is a leading independent British software house in the database management software market for business micro-computers. Its products are marketed in the UK and since very recently in many of the countries of Continental Europe in local language versions.

Compsoft's products are distinguished in the business micro-computer software market by their user friendliness which caters for the needs of non-technical users.

Compsoft's recent products have been designed for the new generation of 16-bit business micro-computers such as the IBM PC, the DEC Rainbow, the HP 150 and the ACT Apricot range. As part of the Group's drive into Europe, these products have been or are being translated into most of the major European languages.

Compsoft is entering into European marketing and distribution arrangements with major computer manufacturers to augment the UK distribution of its products.

Distribution arrangements have already been agreed with IBM, DEC, Hewlett Packard and Xerox.

HISTORY

A new generation of small computers was introduced to the UK market in 1978. At that time Nick Horgan, Compsoft's Chairman, was a successful computer consultant with an international clientele, specialising in business-orientated software for large mainframe computers. His particular expertise was in the application of software systems for the management of data on mainframe machines. He sooo recognised the opportunity to apply this specialist knowledge to micro-computers as their use spread among business users.

He formed Compsoft Limited in September 1978 and by the end of 1979, while continuing with his consultancy business, he had created his first database management software product for micro-computers, now known as DMS. In March 1980 Heather Kearsley, Nick Horgan's wife, began the active marketing of DMS through Compsoft Limited. As a result of her marketing effort, sales and profits increased substantially. By July 1981 Nick Horgan was devoting all his time to the business and its continuing product development programme. In March 1982, to cater for its rapid growth, Compsoft Limited moved into Hallams Court, a country house in Surrey. This remains the Group headquarters and training centre.

In January 1983, Compsoft launched DELTA, its principal current product.

COMPSOFT'S PRODUCTS

DATABASE MANAGEMENT SOFTWARE PRODUCTS

Database management software products, in which Compsoft currently specialises, are able to receive, in formats selected by the user, large quantities of information consisting of numbers, text or dates. The programs can then store and rapidly retrieve, process and display or print the results. Database management software products also provide facilities for sort, search, calculation and the printing of lists, labels, reports and letters.

Compsoft software guides business users with no previous programming expertise in creating logically structured databases. These databases can then be used to manage business data in a manner most appropriate to users' needs. In the absence of products of this sort, business micro-computer users wishing to create and manage computerised databases would have two types of software from which to choose: "programmers" software which would require knowledge of a computer programming language and an aptitude for designing database structures; or "dedicated" software which is specific to a particular application.

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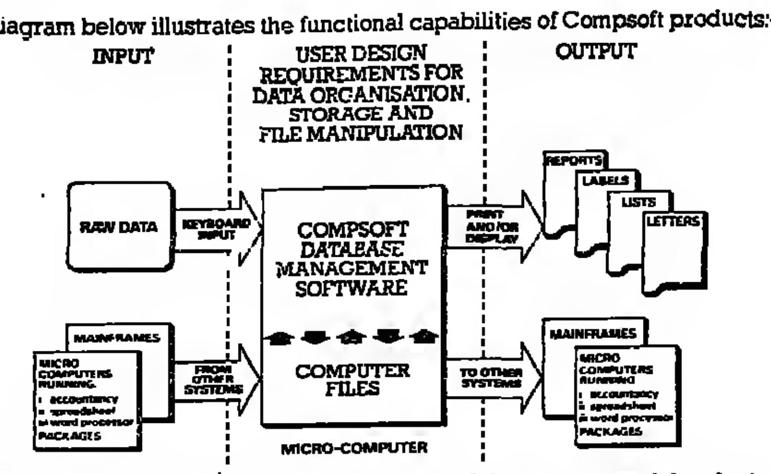
COMPSOFT HOLDINGS plc

The diagram below illustrates the functional capabilities of Compsoft products:—



Compsoft's products enable people to exploit the potential of their micro-computers in managing a wide range of tasks such as the production of letters and addressing of envelopes and the organisation of price lists, personnel records, inventories, car fleets, investment portfolios and livestock.

Compsoft's database management software is now well known in the UK market. The quality of its products has been recognised by a variety of awards from the industry, notably in 1983 the RITA (Recognition for Information Technology Achievement) award for "Software Product of the Year" sponsored by the National Computing Centre. Its products are also distributed by the Central Computer and Telecommunications Agency for use in UK government departments.

PRODUCT RANGE

Compsoft has introduced new database management software products and foreign language versions of existing products to meet the increasingly sophisticated demands of micro-computer users in the UK and Continental Europe. The table below summarises the history of the most significant product launches.

Launch Date	*Product*
Spring 1980	*DMS* was the principal source of Compsoft's early growth. It has now been superseded by other Compsoft products.
January 1982	*DMS Diamond* is a DMS-type product specifically written for the Commodore PET.
January 1983	*DELTA I* is designed for the new generation of 16-bit machines and simplifies the handling of historical and repeating information which includes, for example, illness histories maintained by general practitioners. It has considerably extended reporting and calculation facilities.
October 1983	*DELTA I* in its first foreign language version (French).
April 1984	*DMS+* is an enhanced version of DMS for users who do not require the more sophisticated data management systems software such as DELTA I.
May 1984	*DELTA II* is an improved and extended version of DELTA I with enhanced data entry facilities and data display and reporting capabilities.

DELTA I is already available in:—

French	Danish
German	Norwegian
Italian	Swedish
Spanish	Finnish
Portuguese	

DELTA II is now available in Dutch. It is intended that other European language versions of this program will be launched in due course.

End-users of sophisticated software products derive considerable benefit if the software house follows a path of constant enhancement and removal of errors. Compsoft provides this as a matter of course.

DESIGN PRINCIPLES

The overriding aim of Compsoft's development programme is to ensure the marketability of its products. Compsoft has achieved this by incorporating the following key design features:—

Ease of use — Its products are suitable for users who are not programmers. Compsoft aims to ensure an easy interactive style of communication between the machine and its user, using a question and answer routine.

Versatility — The potential applications of Compsoft's software are as wide ranging as possible so as to appeal to the broadest spectrum of business micro-computer users. This enhances the value for money of its products as the economies of large-scale production are passed on to the customer.

Compatibility — Its products are compatible with a wide range of business micro-computers from leading manufacturers, which often make available to Compsoft pre-launch examples of their new hardware.

The DMS and DELTA families run with CP/M, MP/M, MS/DOS and PC/DOS operating systems and are compatible with many of the leading 8-bit and 16-bit micro-computers, including:—

ACT Apricot	IBM PC
Apple IIe (with CP/M)	IBM XT
Commodore PET (DMS only)	ICL PC1
Compaq	Olivetti M24
DEC Rainbow	Sirius
Epson QX10	Wang PC
Hewlett Packard 150	Xerox 16/8

DELTA II has been designed to run only on 16-bit machines (such as the IBM PC) using MS/DOS or PC/DOS operating systems which now form the vast majority of business micro-computer sales.

Ease of translation — DELTA is designed for ease of translation into foreign languages. The basic structure of DELTA incorporates the ability to translate all messages without recourse to programming, to handle non-English keyboards and printers and to collate local language character sets.

Integration — DELTA and DMS+ are designed to integrate as widely as possible with other popular software packages, such as:—

Word processing	*Spreadsheets*	*Accountancy*
Peachtext	Multiplan	Pulsar
Wordstar	Visicalc	Pegasus
	Lotus 1-2-3	

Information is increasingly transferred between micro-computers and large mainframe machines. DELTA can prepare a file in a format suitable for this purpose.

Compsoft places great value on the feedback which it receives from end-users in establishing the direction of its development and enhancement programme.

INTELLECTUAL PROPERTY RIGHTS

Each software package sold incorporates a unique licence number which makes it possible to trace the source of unauthorised copies and to take action to protect Compsoft's interests.

The Directors are aware that software "piracy" in parts of the industry, notably computer games, has received considerable publicity. Compsoft is monitoring the latest "anti-piracy" technology and will upgrade the protection afforded to its own software should this be considered appropriate in the future.

FUTURE PRODUCT DEVELOPMENTS

Nick Horgan and his team of six software engineers are well advanced in a continuing series of enhancements and improvements of DELTA II, including a multi-user version and a graphic output facility.

Further projects are underway in such areas as demonstration, teaching and examination packages, "expert systems" and fully integrated packages for micro-computers comprising word processing, database management, spreadsheet, graphics and communications.

MARKETING AND SALES

MARKETING STRATEGY

Compsoft is building on its already substantial position in the UK market for database management software by aggressive expansion into Continental European markets. The Directors believe that these markets have for the most part been poorly served by indigenous companies producing technologically immature products. Entry to these markets has usually been hindered by the technical complexity and cost of translating English-language software. Ease of translation is a fundamental design feature of DELTA.

Marketing is crucial to Compsoft's present and future development. In order to stimulate and expand its UK market, Compsoft uses a wide range of marketing techniques such as road shows, exhibitions, advertisements and reviews in the principal micro-computer magazines, mailshots to dealers and end-users, promotional material distributed to dealers and publicity resulting from the receipt of computer industry and other awards.

UK DEALER NETWORK

To date, Compsoft has sold mainly through a network of nearly 900 dealers in the UK. The loyalty of Compsoft's dealers is actively sought as a source of future sales. It is recognised that loyalty to the Compsoft name, as well as familiarity with the design characteristics of its products, will stand Compsoft in good stead when it introduces new products to the market in the future. The principal elements of the support given to dealers include free training courses in the use of Compsoft's products, telephone "hotline" support and the provision of promotional materials.

DISTRIBUTION AND MARKETING ARRANGEMENTS WITH HARDWARE MANUFACTURERS

Compsoft has adopted a strategy of developing close relationships with a number of major manufacturers of business micro-computers. The purpose is to reach the widest possible market, particularly in Continental Europe, whilst at the same time limiting the Group's financial exposure. As a result of the impact which its sales and product developments have had on the UK market, Compsoft has acquired sufficient recognition to warrant these major manufacturers entering into arrangements to distribute and market Compsoft's products through their dealer networks.

A number of these arrangements have recently been concluded and others are expected to be concluded shortly. The current status of these arrangements can be summarised as follows:—

Manufacturer	*Status*
IBM	DELTA is an IBM distributed product in the UK, Belgium, France and Italy.
DEC	DEC has signed a world-wide enabling contract for the distribution of DELTA, which will be a "Digital Classified Product" throughout Europe.
Hewlett Packard	Hewlett Packard has signed a world-wide enabling contract for the distribution of DELTA. Distribution of products in French, Italian and Spanish has already begun.
Xerox	Xerox is distributing DELTA in the UK, France, Portugal and Finland.

IBM and Xerox, and other manufacturers such as ACT, Olivetti and Wang, have a number of European language versions of DELTA under review.

Compsoft supports the hardware manufacturers in the training of dealers in the use of Compsoft's products by providing translations of training materials in local languages and supervising training courses locally.

The prices available under these new arrangements are lower than those currently achieved through sales direct to dealers. However, the hardware manufacturers will provide much of the dealer and end-user marketing, distribution and support. The Directors therefore believe that the additional sales networks now available to the Group, particularly in Continental Europe, will contribute significantly both to its volume of sales and to its net profits.

END-USERS

Compsoft actively encourages a continuing relationship with its end-users through the services provided by its Users Club and training courses. The Users Club has some 800 members who receive telephone "hotline" support and applications advice, regular updates of technical information and discounts on the training courses run by Compsoft.

Amongst current members of the Users Club are:—

Akroyd & Smithers	Medical Oncology Unit, Westminster Hospital
Allied Breweries	Milk Marketing Board
Avis Rent A Car	Mylor Yacht Harbour
British Airways	Oxford University Appointments Committee
Brecon Beacons National Park	Plessey Semiconductors
Diners Club International	Prudential Assurance
Foreign & Commonwealth Office	Reading University Library
HQ RAF Support Command	Securicor
ICI	Sussex Police
Kent Fire Brigade	Time Life International
Lewisham Social Services	
Marconi Defence Systems	

SALES

The principal sources of income are the sale of database management software products, fees for training courses and annual subscriptions from members of the Users Club. Other income includes revenue from sales of demonstration packages, upgrades and licences. Turnover and the number of packages sold in the past two financial years were as follows:—

Year ended 31st March	*1983* Number of packages	Revenue £'000		*1984* Number of packages	Revenue £'000	
Sales of packages						
DMS range	2,380	590	(78%)	1,250	230	(17%)
DELTA I	200	60	(8%)	3,070	792	(60%)
Training and Users Club		50	(7%)		152	(11%)
Other income		50	(7%)		155	(12%)
		750	(100%)		1,329	(100%)

COMPETITION

Compsoft's major competitor is Ashton Tate's dBase II. This program appears to be best suited to the technical user with knowledge of higher level programming languages and an aptitude for designing database structures.

Compsoft's products, in contrast, are specifically designed for business users with no programming expertise.

DIRECTORS, MANAGEMENT AND STAFF

DIRECTORS

Nick Horgan (aged 38) is Executive Chairman and Managing Director. His involvement in the electronics and computer industry dates back to 1962. He began a successful career as a freelance software consultant in 1971, advising a variety of international companies in their use of large mainframe computers. He founded Compsoft Limited in 1978. Since July 1981 he has devoted all his time to the business and he plays a leading role in the creation and development of new products and the strategic development of the Group.

Heather Kearsley (aged 32) is Executive Marketing Director and is married to Nick Horgan. She graduated with a BA Honours degree in psychology from Newcastle University in 1973. After teaching in secondary schools, she was appointed lecturer in social psychology at Guildford Technical College. Since June 1980, she has been a full-time working director and has been the driving force behind the Group's aggressive marketing and promotional activities. In 1983 she was runner-up in the "Options/Philips", "Women Mean Business" awards.

Jim Miller (aged 43) is Executive Finance Director and Secretary. He qualified as a chartered accountant in 1963 and has acquired extensive experience both in industry and in the profession, latterly as a senior manager in the London office of Deloitte Haskins & Sells. He became a self-employed financial consultant in 1982, specialising in the installation and establishment of computerised accounting systems. He joined Compsoft in March 1984 and became a Director in April.

Professor David Canter (aged 40) is a non-executive Director. He is Professor of Applied Psychology at the University of Surrey. For the last ten years, he has advised government departments and commercial organisations on the design of computer systems as well as on documentation and training.

MANAGEMENT AND STAFF

Compsoft is organised on the following departmental lines:—

Research and Development has a team of six software engineers led by Andy Rigby (aged 27), Programming Manager. He joined Compsoft Limited in January 1981 after gaining two years' programming experience with micro-computers elsewhere. The staff in this department carry out original research into the application of advanced programming and systems design techniques, as applied to the creation of micro-computer software for business applications. The department is under the overall direction of Nick Horgan.

Production and Technical Support comprises a staff of eight under Eric Lovett (aged 25), Technical Manager, who joined Compsoft Limited in January 1982. He had previously gained experience in computer consultancy, as a micro-computer dealer and in programming. The department is responsible for the production of discs and manuals in around 100 different combinations of disc format, language and product, for the provision of technical support services to end-users and dealers and for the running of four different types of training course.

Sales and Marketing is the responsibility of Wendy Berry (aged 28), Sales and Marketing Manager. She joined the Group in June 1982 and has diplomas in language studies and French commerce. She manages a UK team of five marketing and dealer support staff and a European sales department comprising five staff who are responsible for the foreign language translations and for the co-ordination of overseas sales and marketing. The department is under the overall direction of Heather Kearsley.

Finance and Administration is under the supervision of Jim Miller and comprises five staff. The department is responsible for processing orders, debt collection, maintaining computerised customer records and general financial and management accounting.

All but the most recently recruited employees hold shares in the Company. The Directors recognise that the development of the Group is dependent upon its employees and are committed to the close involvement of employees in its future prosperity. It is intended within the next twelve months to introduce an Inland Revenue approved share incentive scheme for all employees. In addition, 50,000 shares have been reserved in the Offer for Sale for preferential applications at the striking price by members of staff.

PREMISES AND NET TANGIBLE ASSETS

Compsoft operates from Hallams Court, a converted country house near Guildford in Surrey providing some 6,000 square feet of office space, of which it owns the freehold. Due to expansion, it is probable that additional accommodation will soon be required, and Compsoft is currently seeking larger premises in the Guildford area.

The consolidated net tangible assets of the Company and its subsidiary, based on the audited consolidated balance sheet at 31st March 1984, and after taking into account the estimated net proceeds of the subscription for new shares at the minimum tender price, are £946,000. On the basis of the 7,600,000 shares in issue following the Offer for Sale, the net tangible assets are equivalent to 12.5p per ordinary share.

PROFITS AND DIVIDENDS

The table below shows the growth in turnover and profit of the Group from incorporation to 31st March 1984, based on information in the Accountants' Report.

Financial period ended 31st March	*1980* £'000	*1981* £'000	*1982* £'000	*1983* £'000	*1984* £'000
Turnover	9	43	253	750	1,329
Profit before tax	4	3	90	245	543
Profit after tax	2	2	54	112	327
Earnings per share*	0.03p	0.02p	0.76p	1.60p	4.68p

*Calculated on the basis of profit after taxation and of 7,000,000 shares, being the 1,000 shares of £1 each in issue at 31st March 1984, adjusted for the capitalisation issues and reorganisation of capital since that date.

Early growth was generated by the DMS range of programs, and in the year ended 31st March 1984 DELTA I became the principal source of revenue and profit. Research and development expenditure, including the development costs associated with the European translations of DELTA I (involving a team of five translators as well as programming staff), is written off as incurred.

The Directors are most satisfied with current trading levels but consider that it is too early in the financial year to publish a profit forecast.

If the shares in the Company had been quoted on the Unlisted Securities Market throughout the financial year ended 31st March 1984, the Directors would have recommended dividends in respect of that year totalling 1.5p per ordinary share (equivalent to 2.14p gross with the related tax credit).

REASONS FOR THE ISSUE AND WORKING CAPITAL

The 1,891,145 shares being offered for sale include 1,300,000 shares being sold by the existing shareholders of the Company.

The sale of the balance of 591,145 shares will, at the minimum tender price and after deducting the expenses of the Offer for Sale, raise £449,000 of new capital for the Company. The Directors consider that it is appropriate to raise such capital at this stage of the Group's development. The Directors believe that Compsoft has great opportunities in Continental Europe. The new resources provided by the Offer for Sale will enable the Group to exploit these opportunities with a major marketing and training effort in support of the hardware manufacturers with which the Group has arrangements for the distribution of Compsoft products. The Directors also recognise that the Company will have the ability to make acquisitions of other businesses through the issue of marketable securities. However, no specific acquisitions are at present under consideration.

The Directors are of the opinion that the Group has adequate working capital for its present requirements after taking into account the net proceeds of the Offer for Sale and the Group's existing bank balances.

PROSPECTS

The Directors believe that Compsoft enjoys a market position in the UK from which it can achieve further significant growth through the introduction of enhanced database management software products.

Compsoft is an early entrant into Continental European markets. Translations of DELTA I into most of the main European languages have now been completed and distribution arrangements have recently been agreed with a number of the major hardware manufacturers. The Directors are confident of the major growth potential of Continental European markets. These are at an earlier stage of development than that of the UK but are expected to grow in much the same way. The Directors believe that Compsoft's range of proven software products will find ready market acceptance.

Compsoft's research and development department is working on further projects in such areas as demonstration, teaching and examination packages, "expert systems" and fully integrated packages. It is the intention that all future products will be available in local language versions as Compsoft consolidates its position in European markets. In support of the establishment of a Europe-wide business, Compsoft has built up a strong team of local nationals with responsibility both for translation and the co-ordination of sales and marketing.

The combination of these factors and Compsoft's financial and management resources offers scope for continued profitable growth.

Accountants' Report

The following is a copy of a report to the Directors of Compsoft Holdings plc and to the Directors of Kleinwort, Benson Limited from Deloitte Haskins & Sells, auditors and reporting accountants.

Deloitte Haskins & Sells,
P.O. Box 207,
128 Queen Victoria Street,
London EC4P 4JX
11th July 1984

The Directors,
Compsoft Holdings plc,
Hallams Court,
Shamley Green,
Nr. Guildford,
Surrey GU4 8QZ

and

The Directors,
Kleinwort, Benson Limited,
20 Fenchurch Street,
London EC3P 3DB

Gentlemen,

INTRODUCTION

1. We have examined the audited accounts of Compsoft Holdings plc (the "Company") and its wholly-owned subsidiary Compsoft Limited for the periods relevant to this report. No audited accounts of the Company or its subsidiary have been prepared in respect of any period subsequent to 31st March 1984. The Company and its subsidiary are hereafter collectively referred to as the "Group".
2. Compsoft Limited was incorporated on 27th September 1978, and Compsoft Holdings plc was incorporated on 21st January 1982 so as to form a separate holding company for the Group. The accounts included herein reflect the results of Compsoft Limited to 31st March 1982 and thereafter the results of Compsoft Holdings plc and its subsidiary as a consolidated group

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COMPSOFT HOLDINGS plc

3. For accounting periods from incorporation to 31st March 1983, Ascough & Co. reported as auditors on the accounts of Compsoft Limited. Otherwise, Deloitte Haskins & Sells have reported as auditors on the accounts of the Group companies.
4. The information set out in paragraphs 6 to 9 below is based on the audited accounts of the Group, after making the adjustments we consider appropriate for the inclusion of our report in the prospectus dated 11th July 1984. For all the accounting periods dealt with in this report, the audited accounts have been prepared throughout in accordance with standards approved by the accountancy bodies in the United Kingdom.
5. In our opinion the information set out in paragraphs 6 to 9 below gives, for the purpose of the prospectus, a true and fair view of the profits and source and application of funds of the Group for the five financial periods to 31st March 1984, and of the state of affairs of the Company and of the Group at 31st March 1984.

ACCOUNTING POLICIES

6. The significant accounting policies that have been adopted in arriving at the financial information set out in this report, and that conform with UK accounting standards, are as follows:
(a) Basis of accounting
The accounts have been prepared on the historical cost basis of accounting modified by the revaluation of certain fixed asset investments. Current cost accounts have not been prepared as the Group does not fall within the scope of Statement of Standard Accounting Practice No 16.
(b) Basis of consolidation
The Group accounts include the accounts of the Company and its subsidiary prepared to 31st March in each year, and they have been consolidated on the merger basis of accounting.
(c) Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated on a straight line basis so as to write off the cost of fixed assets over their estimated useful lives at the following annual rates:
Buildings 1% Vehicles 25% Other assets 20%
(d) Stocks
Stocks comprise supplies and other stores held for resale and are valued at the lower of purchase cost and net realisable value.
(e) Deferred taxation
Provision is made for deferred taxation based on the latest known tax rates and legislation, except where a liability is not expected to arise in the foreseeable future, on:
(i) the amount by which the taxation allowances claimed exceed the amounts provided in the accounts for depreciation of the relevant fixed assets;
(ii) the amount by which the taxation allowances claimed on leased assets exceed the lease rentals received; and
(iii) certain other revenues and expenses that are dealt with for taxation purposes in periods different from those in which they are dealt with in the accounts.
(f) Investment in finance leases
The investment in finance leases represents the capital cost of leased equipment less the related borrowing. This cost will be written off over the periods of the respective leases in proportion to the lease rentals.
(g) Turnover
Turnover represents sales of computer software packages, and other related income, net of sales taxes.
(h) Research and development
Research and development expenditure is written off as it is incurred.
(i) Pension funds
Premiums and contributions to pension funds are charged to the profit and loss account when they are paid.
(j) Foreign currency translations
Foreign currency transactions arising during the year are translated into pounds sterling at the approximate rates of exchange ruling at the time they arise. Assets and liabilities in foreign currencies are translated at the rates ruling at the balance sheet date. Exchange gains or losses are credited or charged to the profit and loss account.

7. PROFIT AND LOSS ACCOUNTS

The profit and loss accounts of the Group for the five financial periods from the date of incorporation of Compsoft Limited to 31st March 1984, after making appropriate adjustments to the audited accounts, are set out below:

	Notes	27th September 1978 to 31st March 1980	Years ended 31st March 1981	1982	1983	1984
		£	£	£	£	£
Turnover		9,314	42,704	252,533	749,634	1,328,641
Cost of sales		(231)	(11,662)	(36,863)	(78,991)	(148,939)
Gross profit		9,083	31,042	215,670	670,643	1,179,702
Distribution costs		(201)	(1,798)	(3,688)	(16,663)	(43,515)
Administrative costs	(a)	(4,471)	(26,564)	(123,890)	(394,124)	(549,154)
		4,411	2,680	88,092	259,856	587,033
Bank deposit interest		—	—	1,648	2,313	6,754
Interest payable on mortgage and other financing charges		—	—	—	(16,690)	(53,598)
Profit before taxation		4,411	2,680	89,740	245,479	543,189
Taxation	(b)	(2,138)	(987)	(36,226)	(133,789)	(215,776)
Retained profit		£2,273	£1,693	£53,514	£111,690	£327,413
Earnings per share	(c)	0.03p	0.02p	0.76p	1.60p	4.68p

Notes on the profit and loss accounts

(a) Administrative costs included tha following:

	27th September 1978 to 31st March 1980	Years ended 31st March 1981	1982	1983	1984
	£	£	£	£	£
Depreciation of fixed assets	1,758	3,057	9,093	21,312	30,429
Amount set aside for provision of pensions — Directors	—	—	25,000	25,000	—
— Staff	—	—	—	—	1,387
Directors' emoluments	—	6,730	17,000	24,000	45,000
Auditors' remuneration	250	900	950	2,000	8,000

(b) Taxation was based on the results of the Group for each period. It comprised the following:

	27th September 1978 to 31st March 1980	Years ended 31st March 1981	1982	1983	1984
	£	£	£	£	£
UK corporation tax	—	31	28,442	128,066	7,459
Deferred taxation	2,138	956	7,784	5,723	208,317
Total taxation	£2,138	£987	£36,226	£133,789	£215,776

(c) Earnings per share have been calculated throughout on the basis of profit after taxation and of 7,000,000 shares, being the 1,000 shares of £1 each in issue at 31st March 1984 adjusted for the capitalisation issues and reorganisation of capital since that date.

8. BALANCE SHEETS

The balance sheets of the Company and the Group at 31st March 1984 after making appropriate adjustments to the audited financial statements are set out below:

	Notes	The Company 31st March 1984	The Group 31st March 1984
		£	£
Fixed assets			
Property, vehicles and other equipment	(a)	504,464	660,166
Investment in subsidiary	(b)	492,380	—
		996,844	660,166
Current assets			
Investment in finance leases	(c)	—	54,376
Stocks		—	10,000
Trade debtors		—	394,004
Other debtors and prepayments		80,000	167,914
Deferred taxation	(f)	2,100	—
Bank balances and cash		—	90,941
		82,100	717,135
Current liabilities			
Loans and overdrafts repayable within one year	(d)	23,888	58,321
Creditors		7,666	75,751
Corporation tax		7,837	151,377
		39,391	286,459
Net current assets		42,709	430,676
Total assets less current liabilities		1,039,553	1,090,842
Loans repayable after more than one year	(e)	(542,870)	(365,241)
Deferred taxation	(f)	—	(224,918)
Attributable to shareholders of the Company		£496,683	£496,683
Representing			
Share capital	(g)	1,000	1,000
Reserves	(h)	495,683	495,683
		£496,683	£496,683

Notes on the balance sheets

(a) Property, vehicles and other equipment were stated at cost less accumulated depreciation as follows:

	The Company 31st March 1984	The Group 31st March 1984
	£	£
Freehold property at cost	510,000	510,000
Aggregate depreciation	(5,536)	(5,536)
	504,464	504,464
Vehicles, computers and other equipment at cost	—	211,953
Aggregate depreciation	—	(56,251)
	—	155,702
Total	£504,464	£660,166

(b) Investment of the Company in its subsidiary, Compsoft Limited, comprised shares at a valuation based on the book value of the net assets of the subsidiary at 31st March 1984.

(c) Investment in finance leases comprised the following:

	The Group 31st March 1984
	£
Capital expended on leased assets	659,523
Less: proportion financed by loans	605,147
Net investment in finance leases	£54,376

The lease rentals receivable are matched to and offset by the repayments due on the loans. The loans are secured on the related equipment.

	£
Net investment to be amortised within one year	18,125
Net investment to be amortised after more than one year and within five years	36,251
	£54,376

The leases provide the Group with a beneficial cash flow after taking account of taxation, and the interest earned on the investment of the resultant funds will be included in the profit and loss account as it arises.

(d) Loans and overdrafts repayable within one year comprised the following:

	The Company 31st March 1984	The Group 31st March 1984
	£	£
Hire purchase commitments — current portions	—	20,102
Mortgage loan (secured) — current portion	21,010	21,010
Bank overdrafts (secured)	2,878	17,209
	£23,888	£58,331

(e) Loans repayable after more than one year comprised the following:

	The Company 31st March 1984	The Group 31st March 1984
	£	£
Loan from subsidiary	220,890	—
Hire purchase commitments	—	47,281
Mortgage loan (secured)	321,980	321,960
	£542,870	£369,241

The subsidiary has agreed not to call for repayment of the loan within the next twelve months.

The hire purchase commitments are payable by instalments to 1988.

The mortgage loan is secured by a fixed charge on the Company's freehold property and there are remaining to be paid 9 instalments of varying amounts due November 1984 and annually thereafter as scheduled below. Interest is charged at 2¾ per cent. over LIBOR. The Company's bankers also have a floating charge over the other assets of the Group except the leased assets.

The mortgage loan is repayable as follows:

	£
In more than one and not exceeding two years	18,660
In more than two and not exceeding five years	65,380
In more than five years	237,920
	£321,960

(f) Deferred taxation provided in the financial statements, and the total potential liability (including the amounts for which provision has been made), were as follows:

	The Company 31st March 1984	The Group 31st March 1984
	£	£
Taxation capital allowances in excess of depreciation charges	—	35,697
Taxation capital allowances on leased assets	—	191,471
Other timing differences	(2,100)	(2,250)
	£(2,100)	£224,918

The provision for deferred taxation has been based upon the latest known projected tax rates and upon an estimate of the years in which the liabilities will arise.

(g) The issued share capital of the Company comprised 1,000 ordinary shares of £1 each, credited as fully paid.

(h) The reserves of the Group arose as follows:

	27th September 1978 to 31st March 1980	Years ended 31st March 1981	1982	1983	1984
	£	£	£	£	£
Total reserves at beginning of period	—	2,273	3,966	56,580	168,270
Retained profits	2,273	1,693	53,514	111,690	327,413
Applied in bonus issue	—	—	(900)	—	—
At end of period	£2,273	£3,966	£56,580	£168,270	£495,683

Reserves comprised the following:

	The Company 31st March 1984	The Group 31st March 1984
	£	£
Retained profits	4,303	495,683
Surplus on revaluation of investment in subsidiary	491,380	—
	£495,683	£495,683

(i) Capital commitments:
Proposed capital expenditure was as follows:

	The Company 31st March 1984	The Group 31st March 1984
Contracted for but not provided:	£—	£36,500
Authorised but not contracted:	£—	£37,500

9. STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

The source and application of funds of the Group for the five financial periods to 31st March 1984, were as set as out below:

	27th September 1978 to 31st March 1980	Years ended 31st March 1981	1982	1983	1984
	£	£	£	£	£
SOURCE OF FUNDS:					
From operations:					
Profit before taxation	4,411	2,680	89,740	245,479	543,189
Items not involving the movement of funds:					
Depreciation	1,758	3,057	9,093	21,312	30,429
Loss/(gain) on disposal of fixed assets	—	—	—	550	(557)
Total generated from operations	6,169	5,737	98,833	267,341	573,061
Other sources of funds:					
Share capital issued	100	—	—	—	—
Proceeds on sale of fixed assets	—	—	—	1,450	10,644
Mortgage and other loans	—	—	—	342,273	26,968
Total source of funds	6,269	5,737	98,833	611,064	610,673
APPLICATION OF FUNDS:					
Purchase of fixed assets	7,034	5,190	31,866	565,655	127,957
Taxation paid	—	—	—	2,031	10,590
	7,034	5,190	31,866	567,686	138,547
NET SOURCE/(APPLICATION) OF FUNDS	£(765)	£547	£66,967	£43,178	£472,126
INCREASE/(DECREASE) IN WORKING CAPITAL					
Net investment in finance leases	—	—	—	—	54,376
Increase/(decrease) in stocks	—	—	10,600	3,078	(3,678)
Increase in debtors	1,811	12,019	76,010	137,499	334,479
(Increase)/decrease in creditors	(2,766)	(9,683)	(50,860)	(105,157)	50,593
	(955)	2,336	35,750	35,420	435,770
Movement in net liquid funds					
Increase/(decrease) in bank balances and cash	190	(190)	29,618	7,758	53,565
(Increase)/decrease to overdraft	—	(1,599)	1,599	—	(17,209)
	£(765)	£547	£66,967	£43,178	£472,126

Yours faithfully,
DELOITTE HASKINS & SELLS
Chartered Accountants

Statutory and General Information

1. The Company

(1) The Company was incorporated on 21st January 1982 as a private company under the Companies Acts 1948 to 1980 with number 1608395 and with the name Meccles Limited. On incorporation, the Company had an authorised share capital of £100 divided into 100 shares of £1 each, of which two shares were issued for cash at par to the subscribers of the memorandum of association.

(2) On 1st April 1982, the authorised share capital was increased to £1,000 divided into 1,000 ordinary shares of £1 each and 998 ordinary shares of £1 each were allotted at par, credited as fully paid, to the holders of the whole of the issued share capital of Compsoft Limited in consideration for the acquisition of their shareholdings in that company.

(3) On 16th November 1983, the Company changed its name to Compsoft Holdings Limited.

(4) By or pursuant to a special resolution dated 4th June 1984:
(a) the authorised share capital was increased to £50,000 by the creation of 49,000 new ordinary shares of £1 each;
(b) £49,000 was capitalised and applied in paying up in full 49,000 ordinary shares of £1 each all of which were allotted in due proportion to the persons whose names were then on the register; and
(c) the Company was re-registered as a public limited company under section 5 of the Companies Act 1980 with the name Compsoft Holdings plc.

(5) By or pursuant to a special resolution dated 22nd June 1984:
(a) the authorised share capital was reorganised and increased to £50,063.25 divided into 1,001,265 ordinary shares of 5p each; and
(b) 1,265 ordinary shares of 5p each were issued for cash at 125p per share to employees of the Company.

(6) On 11th July 1984, the authorised share capital was increased to £500,000 divided into 10,000,000 ordinary shares of 5p each and, conditionally upon the grant of permission to deal in the Unlisted Securities Market in the ordinary share capital of the Company not later than 25th July 1984, the following further changes were made in the issued share capital:
(a) 591,145 ordinary shares of 5p each were allotted to Kleinwort, Benson Limited at the striking price; and
(b) £300,379.50 was capitalised and applied in paying up in full 8,007,590 ordinary shares of 5p each, all of which have been allotted in due proportion to the persons whose names were then on the register.

2. Subsidiary

(1) The only subsidiary of the Company is Compsoft Limited which was incorporated in England on 27th September 1978 and has an issued share capital of £1,000. The principal activities of the subsidiary are the design, development, production and distribution of database management software.

(2) The subsidiary is a private company and wholly owned by the Company. There has been no change in the authorised or issued share capital of the subsidiary within the two years immediately preceding the publication of this document.

3. Articles of association

The articles of association of the Company contain provisions, *inter alia*, to the following effect:

(1) Votes of Members
Subject to disenfranchisement in the event of non compliance with a statutory notice requiring disclosure as to beneficial ownership, every member who (being an individual) is present in person or (being a corporation) is present by duly authorised representative or proxy shall, on a show of hands, have one vote and on a poll every member shall have one vote for every share of which he is the holder.

(2) Variation of Rights
All or any of the rights or privileges attached to any class of share may, subject to the Companies Acts, be varied or abrogated either with the consent in writing of the holders of at least three quarters of the nominal amount of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the issued shares of that class, but not otherwise.

(3) Directors
(a) No shareholding qualification is required by a director.
(b) A director shall not vote on any resolution concerning a matter in which he has any material interest or duty which conflicts or may conflict with the interests of the Company and shall not be counted in the quorum at a meeting in relation to any resolution on which he is not entitled to vote. However, a director shall be entitled to vote and be counted in the quorum in circumstances where the resolution relates to:

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COMPSOFT HOLDINGS plc

(i) the giving to him of a guarantee, security, or indemnity in respect of money lent to, or an obligation incurred by him for the benefit of, the Company or any of its subsidiaries;

(ii) the giving to a third party of a guarantee, security or indemnity in respect of an obligation of the Company or any of its subsidiaries for which the director has assumed responsibility in whole or part or whether alone or jointly with others under a guarantee or indemnity or by the giving of security;

(iii) a proposal concerning the offer of any shares, debentures or other securities of the Company or any of its subsidiaries, for subscription or purchase, in which he is or is to be interested as a participant in the underwriting or the sub-underwriting thereof;

(iv) a retirement benefits scheme which has been approved, or is conditional upon approval, by the Board of Inland Revenue for taxation purposes;

(v) any arrangement for the benefit of the employees under which the director benefits in a similar manner as the employees, and which does not accord to any director as such any privilege or advantage not generally accorded to the employees to whom the arrangement relates; and

(vi) any other company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for these purposes to be a material interest in all circumstances).

(c) The provisions of section 185 of the Companies Act 1948 (retirement of directors at age 70) apply to the Company.

(d) The directors shall, for their services as directors, be entitled to such annual remuneration as they may determine (not exceeding a sum of £10,000 for each director or such larger amount as the Company may by ordinary resolution decide). Any director who serves on any committee or who devotes special attention to the business of the Company or who otherwise performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director may be paid such extra remuneration by way of salary, participation in profits or otherwise as the directors may determine.

(e) The directors may from time to time appoint any one or more of their body to be the holder of any executive office on such terms as they think fit, and may revoke or vary such appointment. The appointment of a director to any executive office as aforesaid shall automatically be terminated if he ceases for any reason to be a director. Any revocation or termination of any such appointment shall be without prejudice to any claim for breach of any contract between the director and the Company. A director so appointed shall not be subject to retirement by rotation and shall not be taken into account in determining the rotation of directors, and shall receive such remuneration (whether by way of salary, commission, participation in profits and partly in one way and partly in another or others, or otherwise) as the directors may determine.

(4) Borrowing Powers

The directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, or any part thereof, and to issue debentures and other securities. The directors shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in relation to its subsidiaries so as to secure (as regards subsidiaries so far as by such exercise they can secure) that, save with the previous sanction of an ordinary resolution, no monies shall be borrowed if the aggregate principal amount (including any fixed or minimum premium payable on final repayment) outstanding of all monies borrowed by the Group (excluding amounts borrowed by any member of the Group from any other member of the Group) then exceeds or would as a result of such borrowing exceed an amount equal to twice the aggregate of:

(a) the amount paid up on the share capital of the Company; and

(b) the total of the capital and revenue reserves of the Group (including any share premium account, capital redemption reserve and credit balance on the combined profit and loss account but excluding sums set aside for taxation and amounts attributable to outside shareholders in subsidiaries of the Company and deducting any debit balance on the combined profit and loss account).

4. Directors' and other interests

(1) The Directors are expected to be interested, in each case beneficially, in the following numbers of ordinary shares of the Company immediately after the Offer for Sale but disregarding any shares which might be acquired under the Offer for Sale:—

P. N. Horgan	2,920,000	(38.42%)
H. L. Kearsley	2,780,000	(36.58%)
J. Miller	700	(0.01%)
Prof. D. V. Canter	—	—

(2) Save as disclosed above, the Directors are not aware of any shareholding which will represent more than 5 per cent. of the issued share capital of the Company immediately after the Offer for Sale.

(3) Save as disclosed in (6) below, no Director has, or has had, any interest in any assets which, within two years before the date hereof, have been, or which are proposed to be, acquired or disposed of by, or leased to the Company or its subsidiary and, save as aforesaid, no contract or arrangement exists in which a Director is materially interested and which is significant in relation to the business of the Group, taken as a whole.

(4) The aggregate emoluments of the Directors for the year ended 31st March 1984 amounted to £45,000. For the year ending 31st March 1985 they are expected to amount to £72,000.

(5) Under the offer for sale agreement referred to in paragraph 6 below, the Directors have undertaken not to deal in the ordinary shares of the Company prior to the date on which the audited accounts of the Company for the financial period ending in 1986 are laid before the Company in general meeting without the prior written consent of Kleinwort, Benson Limited.

(6) Prof. D. V. Canter is a shareholder and director of Interlogos Limited, a company which has agreed to provide certain market research and product development services to Compsoft for a fee which will not exceed £10,000.

5. Service agreements

Each of the Directors other than Prof. D. V. Canter has a service agreement with the Company running for two years from 11th July 1984 under which the current annual basic salaries are as follows.

P. N. Horgan	£18,000
H. L. Kearsley	£18,000
J. Miller	£17,000

6. Offer for sale agreement

Under contract (c) in paragraph 7 below, Kleinwort, Benson Limited has agreed subject, inter alia, to the Council of The Stock Exchange granting not later than 25th July 1984 permission for the ordinary share capital of the Company to be dealt in on the Unlisted Securities Market, to purchase from P. N. Horgan and H. L. Kearsley a total of 1,300,000 ordinary shares of 5p each at a minimum price of 117.6p per share and to offer for sale those shares and the 591,145 ordinary shares mentioned in paragraph 1(6)(a) above at a minimum price of 120p per share. Under this contract, Kleinwort, Benson Limited will receive from the Company a fee and a commission of 2% of the minimum price in respect of the 591,145 new ordinary shares. Out of this fee and commission Kleinwort, Benson Limited will pay fees to the brokers.

7. Material contracts

The following contracts, not being contracts in the ordinary course of business, have been entered into within the two years immediately preceding the date hereof and are, or may be, material:

(a) dated 16th August 1982 between (1) Coutts Finance Co. and (2) the Company being a facility letter for £350,000 in connection with the purchase of Hallams Court (the obligations under which were secured by a legal mortgage dated 16th November 1982);

(b) dated 18th August 1982 between (1) Apus Properties Limited and (2) the Company being the contract for the purchase of Hallams Court for £510,000 (which property was transferred to the Company on 16th November 1982);

(c) dated 11th July 1984 between (1) the Directors, (2) P. N. Horgan and H. L. Kearsley, (3) Kleinwort, Benson Limited and (4) the Company being the offer for sale agreement referred to in paragraph 6 above.

8. Taxation

(1) The Directors have been advised that, immediately after completion of the offer for sale agreement, the Company will continue to be a close company within the meaning of the Income and Corporation Taxes Act 1970.

(2) Pursuant to the offer for sale agreement P. N. Horgan and H. L. Kearsley have given to Kleinwort, Benson Limited and the Company the usual indemnities in respect of taxation liabilities.

9. General

(1) No share or loan capital of either company in the Group is under option or agreed conditionally or unconditionally to be put under option.

(2) Save as disclosed in paragraph 1 above, no share or loan capital of either company in the Group has been issued since 11th July 1982 or is agreed or is proposed to be issued either for cash or otherwise.

(3) Save as disclosed in paragraph 6 above, no commissions, discounts, brokerages or other special terms have been granted by either company in the Group since 11th July 1982 in connection with the issue or sale of any part of the share or loan capital thereof.

(4) The expenses (exclusive of value added tax) payable by the Company relating to the Offer for Sale and to the application to the Council of The Stock Exchange for permission to deal in the ordinary shares of the Company in the Unlisted Securities Market are estimated to amount to £230,000.

(5) The minimum amount which, in the opinion of the Directors, must be raised by the issue of the 591,145 new ordinary shares comprised in the Offer for Sale to provide for the matters referred to in paragraph 4(a) of Part 1 of the Fourth Schedule to the Companies Act 1948 is as follows: (i) £ nil; (ii) £ nil; (iii) £ nil; and (iv) £449,000.

(6) The Group has no litigation or claims of material importance pending or threatened against it and no facts are known to the Directors which are likely to give rise to any such litigation or claims.

(7) There has been no material change in the trading or financial position of the Group since 31st March 1984.

(8) No material issue of shares (other than to shareholders pro rata to existing holdings) will be made within one year without the prior approval of the Company in general meeting.

(9) 2,400,000 ordinary shares (24%) will remain authorised but unissued following the Offer for Sale. No issue of shares will be made which would effectively alter the control of the Company or the nature of its business without the prior approval of the Company in general meeting.

(10) Financial information contained in the accountants' report does not amount to full individual accounts within the meaning of section 11 of the Companies Act 1981. Full individual accounts relating to each accounting reference period to which the financial information relates have been delivered to the Registrar of Companies. The auditors have made a report under section 14 of the Companies Act 1967 in respect of each such set of accounts, and each such report was an unqualified report within the meaning of section 43 of the Companies Act 1980.

(11) Deloitte Haskins & Sells have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of their report, together with the references thereto and to their name in the form and context in which they appear.

(12) The above-mentioned consent, a statement of the adjustments made by Deloitte Haskins & Sells at arriving at the figures set out in their report and the reasons for them and copies of the contracts referred to in paragraph 7 above and of the application forms were attached to the copies of this document delivered to the Registrar of Companies for registration.

10. Documents for inspection

The offer for sale agreement and copies of the following documents may be inspected at the offices of Herbert Smith & Co, Watling House, 35/37 Cannon Street, London EC4M 5SD, during usual business hours on any weekday (Saturdays excepted) for a period of 14 days from the date of this document:

(a) the memorandum and articles of association of the Company;

(b) the audited financial statements of the Company for the two years ended 31st March 1984 and of Compsoft Limited for the three years ended 31st March 1984;

(c) the accountants' report and the statement of adjustments referred to above;

(d) the service agreements referred to in paragraph 5 above;

(e) the material contracts referred to in paragraph 7(a) and (b) above; and

(f) the written consent referred to in paragraph 9(11) above.

Dated 11th July 1984

Procedure for Application

1. Applications must be made on the accompanying application form at the minimum tender price of 120p per share or at any higher price per share being a whole multiple of 5p.

2. Applications must be for a minimum of 200 shares and thereafter for the following multiples of shares:

	in multiples of
— for not more than 2,000 shares	200 shares
— for more than 2,000 shares but not more than 5,000 shares	500 shares
— for more than 5,000 shares but not more than 10,000 shares	1,000 shares
— for more than 10,000 shares but not more than 50,000 shares	5,000 shares
— for more than 50,000 shares	10,000 shares

3. Applications must be lodged with National Westminster Bank PLC, New Issues Department, P.O. Box 79, 2 Princes Street, London EC2P 2BD, or posted so as to arrive in either case not later than 10 a.m. on Thursday, 19th July 1984 (being the time of opening of the application list).

4. Each application must be accompanied by a separate cheque or banker's draft drawn in sterling on a branch (in England, Scotland, Wales, Northern Ireland, the Channel Islands or the Isle of Man) of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided for the members of those Clearing Houses (and which must bear the appropriate sorting code number in the top right hand corner) made payable to National Westminster Bank PLC and crossed "Compsoft — Not Negotiable", representing payment in full at the application price. The right is reserved to present all cheques for payment and to retain Letters of Acceptance and surplus application money pending clearance of the successful applicants' cheques and to reject any application in whole or in part and in particular multiple or suspected multiple applications. Applications from the same person at different prices will not be regarded as multiple applications. Due completion and delivery of an application form accompanied by a cheque will constitute a representation that the cheque will be honoured on first presentation; attention is drawn to the declaration in the application form to that effect. Applications will be irrevocable until 27th July 1984. Photostat copies of application forms will not be accepted.

5. No person receiving a copy of this document or an application form in any territory other than the United Kingdom may treat the same as constituting an invitation to him, nor should he in any event use such form, unless in the relevant territory such an invitation could lawfully be made to him or such form could lawfully be used without contravention of any registration or other legal requirements. Any person outside the United Kingdom wishing to make an application hereunder should satisfy himself as to observance of the laws of any relevant territory, including obtaining any requisite governmental or other consents and observing any other requisite formalities.

Basis of acceptance

Applications complying with the above procedure will be dealt with on the following basis:—

1. All shares for which applications are wholly or partly accepted will be sold at the same price (the "Striking Price"), which will be not less that the minimum tender price of 120p per share.

2. If applications are received for more than the total number of shares offered, the Striking Price will not exceed the highest price at which sufficient applications (including applications at above that price) are received for the total number of shares offered but may be a price lower than such highest price. If applications are received for fewer shares than the total number offered, the Striking Price will be the minimum tender price of 120p per share. Subject to the foregoing, Kleinwort, Benson Limited will have absolute discretion in deciding the Striking Price and the basis of allocation. In so deciding, Kleinwort, Benson Limited will have regard to the need to establish a satisfactory market in the shares. No allocation will be made in respect of applications, whether preferential or otherwise, at prices below the Striking Price.

3. Up to 50,000 shares which will be allocated at the Striking Price are reserved in the first instance for applications from employees (including Directors other than P. N. Horgan and H. L. Kearsley) of the Company and its subsidiary. Such applications must be made on the special pink application forms which are being made available to such employees. They will be permitted to apply at the Striking Price (rather than tendering a specific price) stating a maximum aggregate purchase price and, if they wish, a maximum Striking Price. In the event of excess applications being received from employees, the basis of allocation among them will be determined by Kleinwort, Benson Limited at its absolute discretion.

4. The Offer for Sale by Tender is conditional on the grant by the Council of The Stock Exchange of permission to deal in the Company's ordinary shares, in the Unlisted Securities Market on or before 25th July 1984. Money paid in respect of all applications will be returned without interest if such permission is not granted and in the meantime will be retained by National Westminster Bank PLC in a separate account.

5. The Striking Price and the basis of allocation will be announced on or as soon as possible after 19th July 1984. Renounceable Letters of Acceptance are expected to be despatched by 25th July 1984. If any application is not accepted, or is accepted for fewer shares than the number applied for, or is accepted at a lower price than that tendered, the application money or the balance of the amount paid on application will be returned without interest by cheque through the post.

6. Letters of Acceptance will be renounceable until 3 p.m. on 23rd August 1984. The shares now being offered for sale will be registered free of stamp duty in the names of the purchasers or persons in whose favour Letters of Acceptance have been renounced, provided that, in the case of renunciation, Letters of Acceptance duly completed in accordance with the instructions contained therein are lodged for registration at or before 3 p.m. on 23rd August 1984. Share certificates will be despatched by first class post by 20th September 1984.

7. All cheques and documents sent by post will be sent at the risk of the persons entitled thereto.

8. Dealings in the ordinary shares of the Company are expected to commence on Thursday, 26th July 1984.

Copies of this document with application forms may be obtained from:

Kleinwort, Benson Limited, 20 Fenchurch Street, London EC3P 3DB	**Laurence, Prust & Co.,** Basildon House, 7-11 Moorgate, London EC2R 6AH	**National Westminster Bank PLC,** New Issues Department, 2 Princes Street, London EC2P 2BD

Outside London, copies are available from the following branches of National Westminster Bank PLC:

Birmingham Colmore Centre 103 Colmore Row	**Cardiff** 117 St. Mary Street	**Edinburgh** 80 George Street	**Glasgow** 14 Blythswood Square
Godalming 77 High Street	**Guildford** 135 High Street	**Leeds** 8 Park Row	**Manchester** 55 King Street

Application form

THE APPLICATION LIST FOR THE ORDINARY SHARES NOW OFFERED FOR SALE WILL OPEN AT 10 A.M. ON THURSDAY, 19th JULY 1984 AND MAY BE CLOSED AT ANY TIME THEREAFTER.

This form should be completed and forwarded to National Westminster Bank PLC, New Issues Department, P.O. Box 79, 2 Princes Street, London EC2P 2BD, with a cheque/banker's draft representing payment in full at the application price, so as to arrive not later than 10 a.m. on Thursday, 19th July 1984. Cheques/banker's drafts, which must be drawn on a bank in and be payable in England, Scotland, Wales, Northern Ireland, the Channel Islands or the Isle of Man, must be made payable to "National Westminster Bank PLC" and be crossed "Compsoft—Not Negotiable" and are liable to be presented for payment on receipt. A separate cheque/banker's draft must accompany each application. No application will be considered unless these conditions are fulfilled.

Applicants are advised to use first class post and to allow at least two days for delivery.

COMPSOFT
HOLDINGS plc

(Incorporated in England under the Companies Acts 1948 to 1980 No. 1608995)

Offer for Sale by Tender
by
Kleinwort, Benson Limited

of 1,891,145 ordinary shares of 5p each at a minimum tender price of 120p per share, the price tendered being payable in full on application

*Applications must be for a minimum of 200 shares and thereafter as follows:

for not exceeding	*in multiples of*
2,000 shares	200 shares
5,000 shares	500 shares
10,000 shares	1,000 shares
50,000 shares	5,000 shares
thereafter	10,000 shares

**The price per share at which application is made must be indicated here and must be 120p or a higher price being a whole multiple of 5p.

*Number of shares for which application is made	**Price per share at which application is made	Amount of cheque/banker's draft enclosed
	p	£

FOR OFFICE USE ONLY
Acceptance No.
Shares Allotted
Amount Paid £
Amount Due £
Amount Returned £
Cheque No.

To: KLEINWORT, BENSON LIMITED

I/We enclose a sterling cheque/banker's draft payable to National Westminster Bank PLC for the above mentioned sum, being the amount payable in full on application for the stated number of shares in Compsoft Holdings plc (the "Company") at the price per share indicated above, and I/we offer to purchase that number of shares and I/we agree to accept the same or any smaller number in respect of which this application may be accepted at the Striking Price upon the terms of the Offer for Sale document dated 11th July 1984 and subject to the memorandum and articles of association of the Company. I/We request that you send to me/us a fully paid renounceable Letter of Acceptance in respect of such shares, together with a cheque for any amount overpaid, by post at my/our risk to my/our address first given below. I/We authorise you to procure my/our names to be placed on the register of members of the Company as the holder(s) of the shares so purchased by me/us the right to which has not been effectively renounced.

In consideration of your agreeing to accept applications upon the terms and subject to the conditions of the said Offer for Sale document, I/we agree that this application shall be irrevocable until 27th July 1984 and that this paragraph shall constitute a collateral contract between me/us and you which shall become binding upon receipt of this application form duly completed by National Westminster Bank PLC, New Issues Department.

I/We understand that the completion and delivery of this application form accompanied by a cheque constitutes a warranty that the cheque will be honoured on first presentation, and I/we acknowledge that any allocation to me/us is strictly on that understanding. I/We also acknowledge that renounceable Letters of Acceptance and cheques for excess application money are liable to be held pending clearance of applicants' cheques.

Dated .... July 1984. 1. Signature ....

Please use Block capitals
←Forename(s) (in full)
←Surname and designation (Mr., Mrs., Miss or Title)
←Address (in full)

(In the case of joint applications all further applicants must sign and complete below)

Please pin your cheque/banker's draft here

2. Signature .... Surname and
Forename(s) (in full) .... designation ....
Address (in full) .... (Mr., Mrs.,
.... Miss or Title) ....

3. Signature .... Surname and
Forename(s) (in full) .... designation ....
Address (in full) .... (Mr., Mrs.,
.... Miss or Title) ....

4. Signature .... Surname and
Forename(s) (in full) .... designation ....
Address (in full) .... (Mr., Mrs.,
.... Miss or Title) ....

A corporation should sign under the hand of a duly authorised official whose representative capacity must be stated

If this form is signed under a Power of Attorney, such Power of Attorney must accompany this form.

No receipt will be issued for the payment on application, but an acknowledgement will be forwarded through the post in due course, either by a fully paid Letter of Acceptance for the shares allotted and a cheque for any surplus application money, or by the return of the application money, in each case at the risk of the person(s) entitled thereto.

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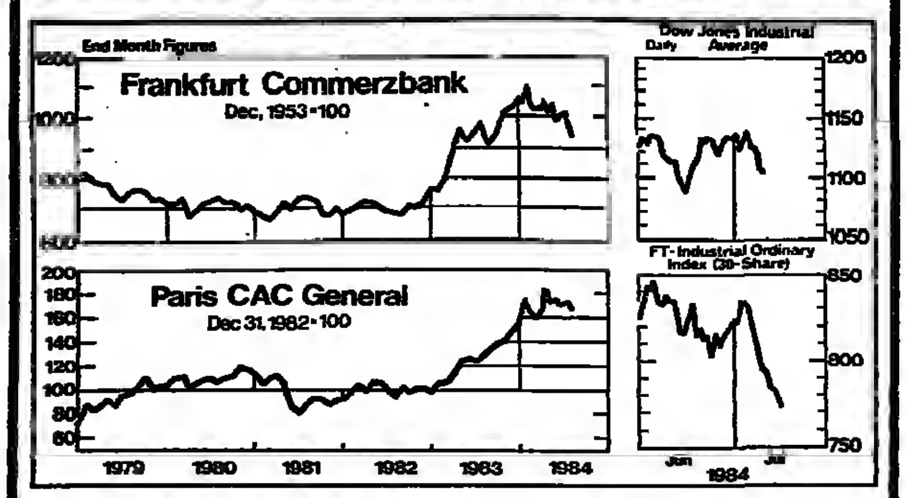
FINANCIAL TIMES

Friday July 13 1984

Austrian bank issues Eurobond with warrants, Page 44

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	July 12	Previous	Year ago
DJ Industrials	1,104.57	1,108.55	1,198.52
DJ Transport	464.30	466.67	569.13
DJ Utilities	125.00	125.05	128.97
S&P Composite	150.03	150.56	165.53
LONDON			
FT Ind Ord	771.1	782.0	688.2
FT-SE 100	991.4	1,001.7	933.0
FT-A All-share	464.9	471.2	436.29
FT-A 500	501.03	509.17	472.93
FT Gold mines	539.8	532.8	655.7
FT-A Long gilt	11.33	11.33	10.87
TOKYO			
Nikkei-Dow	10,270.18	10,354.88	8,937.21
Tokyo SE	781.42	787.05	657.02
AUSTRALIA			
All Ord.	665.7	668.2	620.2
Metals & Mins.	412.5	415.7	546.1
AUSTRIA			
Credit Aktien	53.57	53.51	55.82
BELGIUM			
Belgian SE	141.15	142.10	129.48
CANADA	July 12	Prev.	Yr ago
Toronto			
Metals & Mins	N/A	1,815.88	—
Composite	2,175.5	2,196.83	2,454.5
Montreal			
Portfolio	105.72	107.05	122.78
DENMARK			
Copenhagen SE	186.2	n/a	158.36
FRANCE			
CAC Gen	166.2	168.6	126.1
Ind. Tendance	106.8	108.5	78.6
WEST GERMANY			
FAZ-Aktien	326.47	331.15	325.27
Commerzbank	941.3	955.1	965.4
HONG KONG			
Hang Seng	763.78	763.61	1,027.11
ITALY			
Banca Comm.	206.97	206.64	190.45
NETHERLANDS			
ANP-CBS Gen	152.2	154.1	136.6
ANP-CBS Ind	123.2	124.8	110.2
NORWAY			
Oslo SE	238.83	245.92	195.53
SINGAPORE			
Straits Times	867.26	878.64	976.10
SOUTH AFRICA			
Golds	n/a	902.0	935.4
Industrials	n/a	n/a	913.7
SPAIN			
Madrid SE	128.67	128.77	120.04
SWEDEN			
J & P	1,477.07	n/a	1,393.47
SWITZERLAND			
Swiss Bank Ind	359.6	362.3	338.0
WORLD	July 11	Prev	Year ago
Capital Int'l	169.6	171.8	179.8

GOLD (per ounce)

	July 12	Prev
London	$342.00	$341.50
Frankfurt	n/a	$341.00
Zürich	$341.75	$340.75
Paris (fixing)	$339.08	$339.08
Luxembourg (fixing)	$339.50	$335.50
New York (July)	$338.00	$341.60

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR July 12	Previous	STERLING July 12	Previous
$	–	–	1.307	1.314
DM	2.849	2.8405	3.7225	3.74
Yen	242.6	242.1	317.25	318.75
FFr	8.735	8.71	11.415	11.465
SwFr	2.408	2.4005	3.1475	3.18
Guilder	3.213	3.206	4.20	4.22
Lira	1751.0	1744.0	2288.0	2295.5
BFr	57.775	57.675	75.5	75.9
C$	1.3348	1.33325	1.744	1.7535

INTEREST RATES

Euro-currencies (3-month offered rate)	July 12	Prev
£	12 13/16	12
SwFr	4 15/16	4 13/16
DM	5 7/16	5 9/16
FFr	12	11 15/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	12 3/16	12 1/4
6-month U.S.$	12 7/8	12 5/8
U.S. Fed Funds	11*	11 1/4
U.S. 3-month CDs	11.65*	11.70
U.S. 3-month T-bills	10.04*	10.12

U.S BONDS

Treasury	July 12 Price	Yield	Prev Price	Yield
13 1986	100 3/32	12.93	99 31/32	13.00
13 7/8 1991	101 17/32	13.45	100 31/32	13.53
13 3/4 1994	98 3/4	13.44	97 7/8	13.52
13 1/4 2014	100 15/32	13.10	99 25/32	13.30
Corporate	July 12 Price	Yield	Prev Price	Yield
AT & T				
10 3/8 June 1990	86 1/8	13.80	86 1/8	13.80
3 7/8 July 1990	71	10.55	71	10.55
8 3/4 May 2000	67 7/8	13.85	67 7/8	13.85
Xerox				
10 7/8 March 1993	83 7/8	14.00	83 7/8	14.00
Diamond Shamrock				
10 3/8 May 1993	82 7/8	14.15	82 7/8	14.15
Federated Dept Stores				
10 3/8 May 2013	76 7/8	14.05	76 7/8	14.05
Abbot Lab				
11.80 Feb 2013	84 7/8	14.05	84 7/8	14.05
Alcoa				
12 3/8 Dec 2012	84 7/8	14.50	84 7/8	14.50

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	62-17	62-18	61-30	61-21
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	89.26	89.28	89.21	89.18
Certificates of Deposit (IMM) $1m points of 100%				
Sept	87.78	87.79	87.55	87.55
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	87.53	87.55	87.41	87.44
20-year Notional Gilt £50,000 32nds of 100%				
Sept	99-01	99-06	98-16	99-08

COMMODITIES

(London)	July 12	Prev
Silver (spot fixing)	555.40p	552.05p
Copper (cash)	£1008.50	£997.50
Coffee (July)	£2196.50	£2215.00
Oil (spot Arabian light)	$27.75	$27.75

WALL STREET

Tone turns brighter but revival slow

THE BOND markets turned higher on Wall Street yesterday in response to an initial dip in the federal funds rate and in anticipation of the fall in the M1 money supply total, which was confirmed late in the sessioo, *writes Terry Byland in New York.*

There was little increase in buying support for bonds and the stock market could make no recovery from the setback of the previous session, bowever.

The stock market was depressed througbout the session and attempts to rally proved unsuccessful. At the close, when the federal funds rate edged up to 11 per cent again, the Dow Jones average showed a net fall of 3.98 points to 1,104.57. Turnover of 88m sbares compared with 89.5m on the previous day.

The flow of second-quarter earnings from major corporations made a muted start, with the stock market subdued after slightly disappointing results from General Electric, as well as the sbock dividend cut from ITT. There was little response to the first round of results from the major banks, including Chemical and Marine Midland.

The fall in the federal funds rate to 10 15/16 per cent at mid-morning was significant psycbologically since many credit market specialists believe that the Federal Reserve may bave lifted its target range for the funds to between 11¼ and 11½ per cent. But the market response was cautious yesterday and bond traders were not making too mucb of expectations of a fall in M1, since the upward trend in money supply is likely to be resumed in the following week.

Confidence in the stock market was low, with analysts commenting that the sell-off in the wake of ITT's announcement disclosed the market's vulnerability to bad news. The mid-June low of 1,088 on the Dow scale seems likely to be tested again soon.

After rallying from an initial fall, the stock market tried to respond to firmness in bonds, but turned tower again at mid-session.

General Electric, which shed $1¾ on Wednesday, gave up a further early $¼ to $49¾ yesterday as analysts took a slightly cool view of the gain reported on the sale of the Utah International subsidiary.

ITT, still being dealt actively, recovered $1⅛ of the previous $10 loss to $22⅜. But the cut in iocome yield continued to lie beavily on the market. Few brokers recommend the sbares on a trading basis after the board's warning on profits, but some see ITT as a possible takeover target if the stock price falls any lower.

Also firmer was AT&T, $⅛ up at $17⅛. Teledyne, at $227¼ galned $3¾ after reportiog higher profits for the second quarter.

Financial Corp of America, the largest of the thrift companies, which warned of a 35 per cent drop in second quarter earnings, rallied by $⅛ to $9⅞ after falling sharply in the previous session.

Losses in blue chips were extended during the morning. IBM at $104¾ was $½ off, while Texas Instruments gave up $3⅛ to $119, Hewlett Packard $1⅛ to $34½ and U.S. Steel $¼ to $22¼.

In the credit markets short-term rates slackened in the wake of the federal funds rate. Three-month Treasury bills were discounted at 10.03 per cent, a dip of five basis points, and six-month bills at 10.49 per cent were seven basis points off.

The bond market began to edge higher, but there was very little increase in retail demand. The key long bond of 2014 moved above par again, to trade at 100 15/32, a gain of 12/32.

Traders remained unsure of the outlook ahead of oext week's meeting of the Federal Open Market Committee. The chances of a tightening in official credit policies are still thought to be higb, witb an increase in the federal discount rate a possibility.

LONDON

Late rally rescues dismal day

A THOROUGHLY demoralised tone remained in Loodon equity markets yesterday. Leading shares sustained a severe early setback and most sectors followed as the market further assessed the implications of interest rate rises.

The bulk of the selling took place just after midday when persistent institutional and public offerings found tbe market unreceptive.

Measuring the extent of the setback, the FT Industrial Ordinary index was down 23.2 by 2pm but a fairly strong technical rally left it a net 10.9 down at 771.1, making a fall of 48.2 since the move towards dearer credit started last Friday.

Among the index constituents Imperial Group fell 10p to 139p and Thorn EMI 43p to 473p, both following disappointing trading statements.

Store sbares, althougb closing above the day's lowest, were again worst hit on consumer spending fears.

Governmeot securities, io contrast, put on a relatively steady performance. Long-dated stocks settled with losses of about ⅛ oo the day, while closing falls in the shorts ranged to ¼ and occasionally more.

Chief prices changes, Page 36; Details, Page 37; Share information services, Pages 38–39

TOKYO

Enthusiasm reaches a low ebb

WILTING investor enthusiasm, coupled with the overnigbt plunge on Wall Street, sent share prices lower almost across the board in Tokyo yesterday, *writes Shigeo Nishiwoki of Jiji Press.*

The Nikkei-Dow market average shed 84.72 to 10,270.18 on volume which totalled 333.80m sbares, up from 310.92m. Declines outnumbered advances by 482 to 198, with 170 issues unchanged.

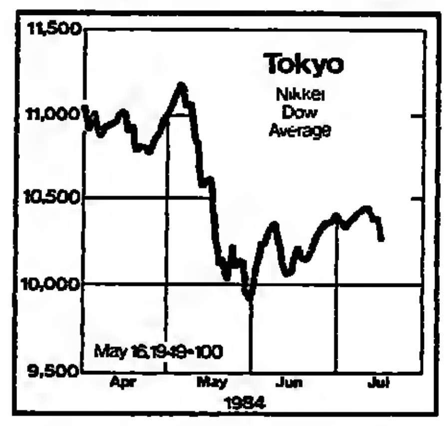
Securities companies were surprised at the low enthusiasm. Major brokerage houses stepped up efforts to prevent investors pulling out of the market.

Toshiba, a leading general electric maker, dipped Y3 to Y377 in slim trading, despite its announcement that consolidated after-tax profit and earnings per sbare in the year to Marcb 31 bad hit all-time highs.

Buying interest in biotechnology-related stocks dispersed. Takeda Chemical fell Y3 to Y785, despite announcing on Wednesday that it had started clinical tests on Interleukin-2, an anti-cancer agent produced through gene-splicing technology.

Blue chips dropped on a broad front under small-lot selling pressure. Kyocera declined Y110 to Y6,020, TDK Y100 to Y4,630, Fuji Photo Film Y20 to Y1,550 and NEC Y20 to Y1,140. Hitachi and Matsusbita Electric Industrial lost Y10 each to Y816 and Y1,640 respectively.

Bond prices firmed slightly as the yen's further drop was offset by the Bank of Japan's offer to buy Y100bn worth of government bonds of between



seven years seven months and nine years left to maturity. However, trading was inactive as city banks and securities houses were busy coping wlth the central benk's buying operation.

The yield on the benchmark 7.5 per cent long-term government bond, maturing in January 1993, fell to 7.485 per cent at one pooint but later rose to 7.490 per cent, compared with parity the previous day.

HONG KONG

PRESSURE abated in Hong Kong as the conclusion of the latest round of Sino-British talks brought no immediate cause for further severe setbacks in a market beavily sold over the past fortnight.

Nonetheless, the Hang Seng index was able to firm a negligible 0.17 to 763.78, and many leading issues did emerge lower still – among them Jardine Matheson with a 15-cent fall to HK$5.65.

But Cheung Kong added 10 cents to HK$6.30 and Hongkong Electric 5 cents to HK$5.10.

SINGAPORE

AN ESCALATION of Singapore losses took the Straits Times industrial index 11.38 lower to 887.18 and left declines with a margin over advances of almost seven to one.

Activity, altbougb still light, picked up somewhat. Pan Electric as volume leader shed 3 cents to S$2.16, while bigh turnover in OCBC took the bank 20 ceots down to S$9.25. Pahang Consolidated, also busily dealt, eased a cent to S$1.59.

AUSTRALIA

COMPOSURE was maintained in Sydney, with prospects of major exporters helped by the lower Australian dollar. Residual weakness centred on mining issues while industrials performed better.

BHP slipped 2 cents to A$4.50, as did Energy Resources at A$1.53, while Santos on A$5.88 was 4 ceots poorer.

Of the newspaper publishing groups, Mr Rupert Murdoch's News Corporation sbed 20 cents to A$9.30, but Fairfax jumped 40 cents to A$5.70.

SOUTH AFRICA

TRADING quietened significantly in Johannesburg, leaving gold shares rarely much either side of overnight levels. Industrials, though, remained under some pressure over the interest rate outlook.

Randfontein firmed 50 cents to R170, but St Helena eased that amount to R39.50. Of the mining bouses, Anglo-American dipped 10 cents to R22.05 and De Beers put on 8 cents at R8.98.

EUROPE

The dollar remains a deterrent

NO END was seen yesterday to the slide in European share values, with bourse investors again deterred by the strength of the dollar and the outlook for interest rates.

In **Frankfurt**, where the dollar was again at a 10-year high, shares slipped back to levels not seen since last September. The Commerzbank index dipped a further 13.8 to 941.3 after some sharp early falls in active trading.

However, its mid-session calculation came too early to reflect later bargain-hunting that left values stabilising around the lower levels.

One of the heaviest losers was Preussag, trading ex a DM 8 dividend. It closed DM 18 lower at DM 238.

Among motor manufacturers, VW shed DM 3.20 to DM 172 as it announced that the seven-week metalworkers' strike had cost DM 500m of potential post-tax profit. Daimler fell DM 4 to DM 524, and Porsche DM 2 to DM 943, but BMW added DM 1.50 to DM 361.50.

Insurer Allianz traded ex a DM 10 dividend, closing down that amount at DM 750.

Bonds were barely changed during a nervous session. The Bundesbank, which decided on no change in credit policies at its council meeting, bought a small DM 3.3m of paper after taking up DM 11.2m worth the previous session.

Amsterdam was broadly easier in quiet trading although there, too, some late bargain-hunting developed.

Among banks, ABN's expectations of lower first-half profits depressed the banking sector further, after Wednesday's setback. ABN dropped Fl 7 to Fl 292 though this was Fl 2 above its opening low. NMB fell Fl 4 to Fl 126 but Amro held its loss to 10 cents at Fl 54.40.

Bonds continued to slide on interest rate worries.

Losses among the banking and financial sectors led **Zurich** lower in moderate turnover. In chemicals, Sandoz was unchanged at SwFr 8,850 as it announced higher first-half sales.

Bonds turned lower.

In **Paris**, shares were easier wlth active sellers finding few buyers. Investmeot interest was said to be cautious ahead of last night's televised speech by President François Mitterrand.

Oils were again weak, with Matra down FFr 25 to FFr 1,395, Esso FFr 18 to FFr 720 and Cie Française de Raffinage FFr 6.50 to FFr 88.50.

A moderate level of trading took **Brussels** lower with retailer Delhaize virtually the only stock to rise. It added BFr 20 to BFr 4,870, continuing the improvement seen in recent days.

Chemical stocks continued weaker, with Solvay down BFr 80 to BFr 3,430.

Stockholm ended mixed to lower altbough some foreign demand spurred a SKr 15 rise in Asea to SKr 340.

Madrid was also marginally lower, ending a fortnight of advances, while a narrowly firmer tone was seen in **Milan** – the market's direction again dictated by technical adjustments ahead of Monday's monthly settlements.

CANADA

SETBACKS in Toronto centred on the base metals and energy sectors wbile golds enjoyed something of a revival.

Industrials in Montreal encountered the brunt of selling, but neither banks nor utilities were able to make mucb headway.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21	13¾	AAR	.44	2.1	21	91	20½	20¼	20⅜	+ ⅛
22	14¼	AMCA	n	1	6.8	1	14⅝	14⅝	14⅝	+ ⅛
18⅝	13⅛	AMF	.50	2.1		148	15⅛	15⅜	15⅞	+ ⅛
41⅞	25⅝	AMR Cp			5	6023	28¾	28¼	28½	− ⅜
20⅞	17⅛	AMR	pf2.18	11		34	19¼	19⅛	19⅛	− ⅛
41½	29⅞	AMR	pf2.13	6.8		211	31½	30⅞	31¼	− ¼
25½	23	ANR	pf2.67	12		367	23⅝	23⅛	23⅛	
23⅝	19½	ANR	pf2.12	10		592	20⅝	20⅛	20⅝	
15¼	9⅞	APL			4	17	10¼	10¼	10¼	
55¾	40¼	ARA	2.10	3.9	11	6329	55	54	54½	+ 5⅛
72⅞	49½	ASA	3a	5.9		518	51⅛	50½	50¾	+ ⅛
30¼	17	AVX	.32	1.7	15	298	19⅞	18⅞	19⅝	− ½
53⅞	38¾	AbtLab	1.20	2.8	14	1581	43	41⅞	42⅞	−1
30¼	23¾	AccoWd	.60	2.0	19	190	29⅞	29⅛	29⅞	+ ⅛
27¼	15⅜	AcmeC	.40	2.6		54	15¾	d15¼	15¼	− ⅛
12⅜	9⅛	AcmeE	.32b	3.8	23	4	8⅛	8⅛	8⅛	
34⅞	11	AdmDg	.04	.3	7	47	12½	12⅜	12⅜	− ⅛
18⅞	15	AdaEx	2.11e	14		42	15⅞	15¼	15¼	− ⅛
16⅞	12½	AdmMl	.28	2.2	6	106	13	12⅞	13	+ ⅛
22	13½	AdvSys	.81l	5.3	15	8	15¼	15⅛	15¼	+ ⅛
16⅞	7⅞	Advest	.12	1.4	11	18	8⅞	8½	8⅞	+ ⅛
37½	25⅜	AMD			17	8639	30⅞	29	29⅞	−1⅛
22½	9⅞	Aeroflex			11	29	11⅞	11¼	11½	+ ⅛
37⅝	26¾	AetnLf	2.64	9.2	15	2374	29½	28⅞	28⅞	− ⅜
35¼	15⅜	Ahmns	1.20	6.2	5	469	19¼	18½	19¼	+ ⅜
7⅞	2⅛	Aileen				34	3	2⅞	2⅞	− ⅛
51	35½	AirPrd	1	2.5	10	2041	40⅛	39	39¼	− ⅛
32½	15¼	AirbFrt	.60	3.6	9	209	16⅝	16½	16½	− ⅛
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J-J-J

K-K-K

L-L-L

M-M-M

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AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

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12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	Weyerh	1 30	4 9	16	1150	26⅝	26	26⅝	+ ⅛
[illegible]	[illegible]	Weyr	pf2.28	9 0		58	35⅝	d35	35	- ⅞
[illegible]	[illegible]	Weyr	pr4.50	10.		9	44¾	44½	44⅜	−⅛
[illegible]	[illegible]	WhelPit				35	30½	20¼	20½	+ ⅛
[illegible]	[illegible]	WhPit	pf 5	19		z30	32	32	32 .	
[illegible]	[illegible]	Whrlpl	2	5 1	9	1828	39¼	38⅞	39⅛	+ ⅛
[illegible]	[illegible]	WhitC	1 50	5 7	8	163	26½	d26	26¼	−⅝
25⅝	12	WyleLb	.32	2 5	9	116	13	12⅞	12⅞	− ⅛
21⅛	16½	Wynns	.60	3 4	10	13	17¾	17½	17⅝	− ⅛

X–Y–Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
52⅛	28	Xerox	3	9 1	9	1856	38¼	37⅛	37⅛	−1⅛
51¼	45¼	Xerox	pf5 45	12		114	46½	46⅛	46⅛	
37	21⅛	XTRA		3 0	9	10	21½	d21¼	21¼	− ⅛
34	24	ZaleCp	1.26	5 1	9	4	24¾	24½	24¾	+ ⅛
24⅞	15⅛	Zapata	.84	5 4	9	1052	15¾	15⅛	15½	+ ⅛
47½	28¾	Zayre	.40b	1 1	11	210	37⅝	36¾	37½	− ⅛
38⅝	22½	ZenithE			9	1387	23¼	22¾	22⅞	− ⅛
27½	16	Zero	.35	1 7	17	13	21⅛	21	21⅛	
34	21⅛	Zurnin	1 32	5.6	12	167	24	23½	23⅝	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend cld–called d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears n–new issue in the past 52 weeks. The high-low range begins with the start of trading nd–next day delivery. P/E-price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full

WORLD STOCK MARKETS

AUSTRIA

July 12	Price Schs	+ or —
Creditanstalt	809	.....
Goesser	325	—5
Interunfall	398	.....
Laenderbank	203	.....
Perlmooser	358	—1
Steyr-Daimler	141	+1
Veitscher Mag	212	.....

BELGIUM/LUXEMBOURG

July 12	Price Frs.	+ or —
ARBED	1,350	—110
Banq Int A Lux	5,050	.....
Bekaert B	3,990	—10
Ciment CBR	2,510	—15
Cockerill	223	—7
Delhaize	4,870	+20
EBES	2,415	—15
Electrobel	6,580	—60
Fabrique Nat	1,800	—5
GB Inno BM	3,095	.....
GBL (Brux)	2,193	—20
Gevaert	3,120	—20
Hoboken	6,090	—110
Intercom	1,860	+20
Kredietbank	6,840	—10
Pan Hldgs.	9,570	.....
Petrofina	6,320	—30
Royale Belge	9,300	.....
Soc. Gen. Banq	2,970	—20
Soc. Gen. Belge	1,600	—40
Sofina	6,000	.....
Solvay	3,430	—60
Traction El	5,350	—45
UCB	4,390	—10
Vieille Mont	5,740	—55

DENMARK

July 12	Price Kr.	+ or —
[illegible]	[illegible]	[illegible]
CopHandelsbank	235	+1
D. Sukkerfab	660	.....
Danske Bank	228	—1
East Asiatic	196	+7
Forenede Brygg.	200	.....
Forenede Damp.	114xr	—2
GNT Hldg.	473	.....
I.S.S.B.	548	+23
Jyske Bank	461	..
Novo Ind	2,280	.....
Privatbanken	206	—4
Provinsbanken	293	—0
Smidth (F)	223	—4
Sophus Berend.	900	.....
Superfos	449	—5

FRANCE

July 12	Price Frs.	+ or —
Emprunt 4½% 1975	1733	+5
Emprunt 7% 1973	9,250	+46
CNE 3%	3,396	—5
Air Liquide	515	—7
BIC	405	—3
Bouygues	581	—20
BSN Gervais	2,600	—45
CIT-Alcatel	1,033	—40
Carrefour	1,323	—50
Club Mediter'n	901	—5
CFAO	609	—3
Cie Bancaire	313	—3
Cofimeg	224.6	+1
Darty	954	—1
Dumez S.A.	692	—8
Eaux (Cie Gen)	521	—8
Elf-Aquitaine	216.9	—15.6
Gen. Occidentale	633	—15
Imetal	83	—2
Lafarge Coppee	334.5	—7.3
L'Oreal	2,390	—50
Legrand	1,850	—12
Maisons Phenix	208	—1
Matra S.A.	1,395	—25
Michelin B	740	—10
Midi (Cie)	1,600	—30
Moet-Hennessy	1,610	—10
Moulinex	101.8	—1.3
Nord Est	45.7	—1.9
Pernod Ricard	770	—10
Perrier	323	—6
Petroles Fra.	246	—0
Peugeot S.A.	179.3	—7
Poclain	43	.....
Printemps Au	138.8	—0.7
Radiotech	268	—2.1
Redoute	1,098	—12
Roussel-Uclaf	1,253	—54
Sefimeg	247	—4
Skis Rossignol	1,850	+12
Telemech Elect	1,635	—20
Thompson (CSF)	288	—2
Valeo	237	—3

GERMANY

July 12	Price Dm.	+ or —
AEG-Telef.	90	+0.4
Allianz Vers.	750	—10
BASF	146.5	—1.3
Bayer	153	—2.3
Bayer-Hypo	258	—3.8
Bayer-Verein	298	+1
BHF-Bank	232.5	—0.5
BMW	361.6	+1.3
Brown Boveri	206	—8
Commerzbank	147.3	—1.8
Cont'l. Gummi.	108.2	—4.3
Daimler-Benz	524	—4
Degussa	350	—8
D'sche Babcock	141	+1
Deutsche Bank	321	—0.3
Dresdner Bank	146.3	—1.2
GHH	131	—2.1
Hochtief	615	—2
Hoechst	156.3	.....
Hoesch Werke	96.7	—0.6
Holzmann (P)	433	—4
Horten	164	.....
Kali und Salz	211.5	+0.5
Karstadt	236	+1
Kaufhof	202	—3.6
KHD	221	—4.3
Kloeckner	61.8	—4.2
Krupp	77	—0.3
Linde	350	+1
Lufthansa	140.0	—0.0
MAN	130	.....
Mannesmann	133.8	—0.3
Mercedes Hld.	463.6	—1.3
Metallgesell.	215	—4
Muench Rueck	1,050	+30
Preussag	238	—18
Rhein West Elect	155.5	—1.7
[illegible]	[illegible]	[illegible]

ITALY

July 12	Price Lire	+ or —
Banca Com'le	17,100	.....
Bastogi-IRBS	126	+1
Centrale	2,065	+3
Credito Varesino	4,010	—10
Fiat	3,940	.....
Finsider	37	.....
Generali Assicur	33,210	+110
Invest	3,020	—40
Italcementi	47,010	—80
Montedison	1,115	—5
Olivetti	6,123	+23
Pirelli Co	2,980	—22
Pirelli Spa	1,640	+4
Snia BPD	1,536	—4
Toro Assic.	10,890	—10
do. Pref.	8,400	—40

NETHERLANDS

July 12	Price Fls	+ or —
ACF Holding	137	—4
AEGON	112.0	—3.5
Ahold	176.3	—2.0
AKZO	78.8	—2.0
ABN	292	—7
AMEV	155	—1
AMRO	54.4	+0.1
Bredero Cert.	170	—3
Bos Kalis Westm.	30.1	.....
Buehrmann-Tet.	64.5	—1.3
Calland Hldgs.	36.3	—0.1
Credit Lyon'is Bk.	46.1	—1.4
Elsevier-NDU	80.0	—0.5
Gist. Brocades	138	—2
Heineken	123.5	—1.0
Hoogovens	46.3	—1.4
Hunter Douglas	28.4	—0.6
Int Mueller	53.0	—0.5
KLM	158.0	—1.3
Naarden	33.7	—0.4
Nat Ned Cert.	206.7	—3.5
Ned. Credit Bank	40	.....
Ned Mid Bank	126	—4
Nedlloyd	106.0	—2.5
Oce Grinten	225	—5
Ommeren (Van)	26.5	—0.8
Pakhoed	53.0	—1.3
Philips	44.8	—0.6
Rijn-Schelde	2.9	.....
Robeco	39.1	—1.0
Rodamco	139	.....
Rolinco	56.3	—0.6
Rorento	198.4	.....
Royal Dutch	148.3	+0.4
Unilever	250.8	—2.7
VMF Stork	119.0	—5.8
VNU	148.5	—1.5
West Utr Bank	81.0	—0.3

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

NORWAY

July 12	Price Kroner	+ or —
Bergen Bank	142	[illegible]
Borregaard	252.5	[illegible]
Christiania Bk.	156.5	[illegible]
Den Norske Credit	151	[illegible]
Elkem	129	[illegible]
Norsk Data	375	[illegible]
Norsk Hydro	670	[illegible]
Storebrand	202	[illegible]

SPAIN

July 12	Price Pts%	+ or —
Bco Bilbao	342	.....
Bco Central	342	.....
Bco Exterior	204	.....
Bco Hispano	251	.....
Bco Santander	330	+1
Bco Vizcaya	388	.....
Dragados	136	—3
Hidrola	37	.....
Iberduero	64.5	—0.5
Petroleos	135.2	—1.8
Telefonica	82.7	—0.3

SWEDEN

July 12	Price Kronor	+ or —
AGA	350	.....
Alfa-Laval	260	.....
ASEA (Free)	345	+23
Astra (Free)	396	.....
Atlas Copco	124	+1
Boliden	368	+3
Cardo (Free)	325	—12
Cellulosa	139	—5
Electrolux B	250	—1
Ericsson	318	—5
Esselte	290	+5
Mo Och Domsjo	387xa	+2
Pharmacia	285	—3
Saab-Scania	407	.....
Sandvik	400	.....
Skandia	355	—10
Skan Enskilda	318	—2
SKF	193	—1
St. Kopparbergs	760	.....
Sven Handelsbn.	183	+1
Swedish Match	233	—4
Volvo B (Free)	249	—5

SWITZERLAND

July 12	Price Frs.	+ or —
Alusuisse	763	—5
Bank Leu	3,360	—65
Brown Boveri	1,335	—10
Ciba Geigy	2,133	—43
do. (Part Certs)	1,710	—35
Credit Suisse	2,035	—20
Elektrowatt	2,315	—35
Fischer (Geo.)	612	+2
Genevoise	3,450	+60
Hoff-Roche PtCts	93,000	—1000
Hoff-Roche 1/10	9,325xr	—75
Jacobs Suchard	6,025	—75
Jelmoli	1,330	—10
Landis & Gyr	1,330	+10
Nestle	6,030	—40
Oer-Buehrle	1,060	.....
Pirelli	249	—1
Sandoz (Br)	6,830	.....
Sandoz (PtCts)	990	—6
Schindler (PtCts)	653	.....
Swissair	906	—19
Swiss Bank	319	—2
Swiss Reinsce	7,330	—100
Swiss Volksbk	1,320	—35
Union Bank	3,230	—80
Winterthur	2,870	—30
Zurich Ins	16,600	.....

AUSTRALIA

July 12	Price Aust $	+ or —
ANZ Group	4.55xr	.....
Acrow Aust.	1.55	.....
Alliance Oil D.	0.64	+0.02
Ampol Pet	1.50	.....
Aust Cons Ind	1.78	—0.02
Aust. Guarant	2.65	.....
Aust. Nat. Inds	2.00	.....
Aust. Paper	2.13	—0.02
Bell Group	4.30	—0.1
Bond Corp Hldgs	1.38	.....
Boral	3.40	—0.05
B'ville Copper	1.65	—0.05
Brambles Inds	2.92	+0.02
Bridge Oil	2.20	.....
BHP	9.50	—0.14
CRA	4.50	—0.02
CSR	3.10	.....
Carlton Utd	4.80	+0.05
Castlemaine Tys.	4.28	.....
Coles (G.J.)	3.67	.....
Comalco "A"	2.35	—0.61
Consolidated Pet	0.45	+0.01
Costain Aust.	1.25	+0.05
Dunlop Aust.	1.63	—0.04
E.Z. Inds.	6.00	.....
Elders IXL	3.62	—0.05
Energy Res.	1.53	—0.62

AUSTRALIA (continued)

July 12	Price Aust $	+ or —
Gen Prop Trust	2.07	.....
Hardie (J)	3.10	.....
Hartogen Energy	2.04	—0.68
Herald W'y Times	3.20	+0.02
ICI Aust	2.13	—0.03
Jimb'lana 50cFP	0.23	.....
Kia Ora Gold	0.13	.....
Lend Lease	5.05	.....
MIM	2.72	—0.51
Mayne Nickless	3.40	+0.05
Meekatharra	0.48	.....
Myer Emp	1.70	—0.02
Nat. Com. Bk.	3.26	+0.81
News	9.30	—0.20
Nicholas Kiwi	1.32	.....
North Bkn Hill	2.10	.....
Oakbridge	0.78	+0.01
Otter Expl.	0.43	.....
Pancont'l	0.95	—0.87
Pioneer Conc	1.40	+0.02
Queensland Coal	1.05	—0.02
Reckitt & Coln	2.60	.....
Repco	1.07	+0.01
Santos	3.66	—0.04
Smith (H.)	3.65	.....
Southland Min'g.	0.30	—0.91
Spargos Expl	0.36	+0.02
Thos. Natwide	1.72	.....
Tooth	5.50	.....
Vamgas	2.85	.....
Western Mining	2.82	—0.06
Westpac	3.64	+0.02
Woodside Petrol.	1.11	—0.04
Woolworths	2.34	—0.01
Wormald Intl	2.53	.....

HONG KONG

July 12	Price H.K.$	+ or —
Bank East Asia	18.0	+0.1
Cheung Kong	6.3	+0.1
China Light	10.2	.....
Hang Lung Devel.	2.3	.....
Hang Seng Bank	27.0	—1.0
HK Electric	6.1	+0.05
HK Kowloon Wh.	8.85	+0.05
HK Land	2.15	+0.08
HK Shanghai Bk.	6.45	—0.05
HK Telephone	40.25	—1.75
Hutchison Wpa	8.6	—0.15
Jardine Math	6.65	—0.15
New World Dev.	2.43	—0.08
Orient O'seas	1.95	—0.07
O'seas Trust Bk.	2.46	—0.02
SHK Props.	4.35	+0.05
Swire Pac A	13.2	—0.1
Wheel'k Mard A.	2.75	+0.08
Wheel'k M'time	1.9	.....
World Int. Hldgs.	1.47	—0.02

JAPAN

July 12	Price Yen	+ or —
Ajinomoto	1,150	—10
Alps Electric	1,930	—20
Amada	1,070	—30
Asahi Chem	642	+13
Asahi Glass	732	—11
Bridgestone	572	—8
Canon	1,160	—20
Casio Comp.	1,160	—20
Chugai Pharm	1,030	+20
Citizen	470	—1
Daiei	665	—1
Dai Nippon Ptg	900	.....
Daiwa House	522	—4
Ebara	316	+1
Eisai	1,010	+10
Fanuc	7,970	—130
Fuji Bank	220	.....
Fuji Film	1,350	—20
Fujisawa	990	+20
Fujitsu	1,210	—30
Green Cross	1,630	+10
Hasegawa	354	—1
Heiwa Real Est.	663	+3
Hitachi	816	—10
Hitachi Credit	1,240	—30
Honda	1,170	—10
House Food	723	+2
Hoya	1,850	—40
Itoh (C)	286	—1
Ito-Yokado	1,900	.....
Iwatsu	1,270	—30
JACCS	549	.....
JAL	3,110	—40
Jusco	847	+1
Kajima	277	—1
Kao Soap	737	—14
Kashiyama	599	—3
Kirin	569	—1
Kokuyo	970	+2
Komatsu	481	—7
Konishiroku	571	—1
Kubota	808	+1
Kumagai	475	—2
Kyoto Ceramic	6,020	—110
Maeda Const.	501	—10
Makino Milling	1,160	.....
Makita	936	—5
Marubeni	356	+2
Marudai	623	+1
Marui	1,100	—30
MEI	1,640	—10
M'ta Elec Works	636	.....
M'bishi Bank	910	.....
M'bishi Corp.	540	.....
M'bishi Elec	378	.....
M'bishi Estate	483	—3

JAPAN (continued)

July 12	Price Yen	+ or —
MHI	226	—2
Mitsui Co.	346	.....
Mitsui Estate	642	—12
Mitsukoshi	362	.....
NGK Insulators	760	—6
Nihon Cement	211	—1
Nippon Denso	1,390	—30
Nippon Elect	1,140	—20
Nippon Express	328	—3
Nippon Gakki	608	—12
Nippon Kokan	143	.....
Nippon Oil	802	—12
Nippon Seiko	630	.....
Nippon Shimpan	321	—4
Nippon Steel	152	—1
Nippon Suisan	333	—10
NTV	11,060	—400
Nippon Yusen	223	—1
Nissan Motor	615	—3
Nisshin Flour	506	—22
Nisshin Steel	163	—2
Nomura	672	—2
Olympus	885	—10
Orient Leasing	3,050	—60
Pioneer	2,540	—10
Renown	030	+4
Ricoh	870	—11
Sankyo	783	—5
Sanyo Elect	305	—2
Sapporo	467	—11
Sekisui Prefab	613	+6
Seven-Eleven	8,450	—40
Sharp	1,060	.....
Shimadzu	627	—3
Shionogi	702	—13
Shiseido	1,080	+10
Sony	3,450	—40
Stanley	640	+1
S'tomo Bank	900	.....
S'tomo Elect	797	—9
S'tomo Marine	378	—7
S'tomo Metal	138	—2
Taihei Dengyo	495	.....
Taisei Corp	218	—1
Taisho Pharm	902	—6
Takeda	785	—3
TDK	4,630	—100
Teijin	370	—5
Teikoku Oil	677	+1
Tokyo Marine	565	+5
TBS	748	.....
Tokyo Elect Pwr.	1,070	—20
Tokyo Gas	146	—4
Tokyo Sanyo	666	—11
Tokyo Style	700	.....
Tokyu Corp	274	—10
Toppan Print	754	—9
Toray	406	—4
Toshiba Elect.	377	—3
TOTO	365	.....
Toyo Seikan	780	+3
Toyota Motor	1,250	.....
Victor	2,120	—30
Wacoal	770	.....
Yamaha	304	+1
Yamanouchi	1,280	—30
Yamazaki	639	—6
Yasuda Fire	281	.....
Yokogawa Bdge.	420	—16

SINGAPORE

July 12	Price $	+ or —
Boustead Hldgs.	8.16	—0.08
Cold Storage	3.02	—0.04
DBS	7.80	—0.1
Fraser & Neave	4.96	.....
Genting	4.62	—0.08
Haw Par. Bros	2.00	—0.04
Inchcape Bhd.	2.56	—0.05
Keppel Shipyard	8.04	—0.02
Malay Banking	8.05	—0.20
Malay Brew.	6.65	—0.05
Multi Purpose	1.16	—0.02
OCBC	9.25	—0.2
OUB	4.00	—0.05
Sime Darby	1.97	—0.01
Straits St'mship	1.39	—0.02
Straits Trdg.	4.88	—0.04
UOB	4.38	—0.04

SOUTH AFRICA

July 12	Price Rand	+ or —
Abercom	1.75	.....
AE & CI	9.3	.....
Anglo Am Coal	30.5	.....
Anglo Am Corp	22.05	—0.10
Anglo Am Gold	144	.....
Barclays Bank	18.75	.....
Barlow Rand	12.8	.....
Buffels	69	.....
CNA Gallo	2.65	.....
Currie Finance	4.6	.....
De Beers	8.98	+0.08
Driefontein	45.73	.....
FS Geduld	46.25	+0.25
Gold Fields S.A.	24.79	.....
Highveld Steel	4.75	.....
Nedbank	13.60	—0.15
OK Bazaars	16.5	.....
Protea Hldgs	1.83	.....
Rembrandt	26	.....
Rennies	14.0	—0.6
Rust. Plat.	13.20	.....
Sage Hldgs	8.00	.....
SA Brews	6.80	.....
Smith (C.G.)	19.5	.....
Tongaat Huletts	9.7	—0.1
Unisec	6	.....

CANADA

TORONTO
Prices at 2.30 pm July 12

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONTREAL
Closing prices July 11

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Total sales 33,173,650 shares

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON

Chief prices changes
(in pence unless otherwise indicated)

RISES		
Comm. Union	318	+ 8
Cullen's Stores	210	+45
Midland Bank	317	+ 7
Phoenix Ass	626	+143
Rank Org.	220	+ 8
Stirling Gp	175	+ 8
Sun Life	640	+48
Randfontein	£87½	+£2¾
FALLS		
Ass. Newspapers	440	—55
Birmid Qualcast	72½	— 5
Blue Circle	368	— 7
Bulmer (H.P.)	142	—18
Burton	218	—10
Campari Int'l	24	— 8
Cifer	25	—13
Fleet Hldgs.	169	— 8
Haslemere	470	—16
Hepworth (J.)	250	—12
Imperial Group	139	—10
Leech (Wm.)	118	— 6
Lonrho	131	— 7
MFI	133	— 8
Magnet & Sthns.	110	—20
Reed Int'l	418	— 6
Sun Alliance	343	—17
Thorn EMI	473	—43
Woolworth	410	—20
Britoil	217	—10
Lasmo	267	— 9
Ultramar	231	— 9

Continued on Page 44

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 35

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON STOCK EXCHANGE

MARKET REPORT

Late rally arrests further slide in equities but index still down 10.9 at 771.1

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 18	June 28	June 29	July 9
July 2	July 12	July 13	July 23
July 16	July 26	July 27	Aug 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

London equity markets remained thoroughly demoralised yesterday. Leading shares sustained an early severe setback and most sectors followed in their wake as the market further assessed the implications of dearer money.

Wall Street's 18.33 fall overnight contributed to the general depression, while the current labour problems continued to weigh heavily on sentiment.

The bulk of the selling took place just after mid-day when persistent institutional and public offerings found the market unreceptive. Measuring the extent of the setback, the Financial Times Industrial Ordinary share index, already down 9.1 at the 11.00 am calculation, fell away sharply to extend the loss to 23.2 by 2.00 pm.

A fairly strong technical rally left the index a net 10.9 down on the day at 771.1 making a fall of 48.2 since the move towards dearer credit started last Friday.

Among the index constituents, **Imperial Group** and **Thorn EMI** both fell sharply following disappointing trading statements. Stores shares, although closing above the day's lowest, were again worst hit on consumer spending fears. Breweries lost further ground along with Foods, for the same reason. Buildings again declined in anticipation of a big rise in the mortgage rate today.

Government securities, in complete contrast, put on a relatively steady performance. Long-dated stocks opened lower and tended to fluctuate in line with the futures market before settling with losses of around ½ on the day. Although the volume of business was at a fairly low level, dealers reported the appearance of occasional cheap buyers. Closing falls in the shorts ranged to ¼ and occasionally more.

Phoenix jump 143

Following news of the surprise **Sun Alliance** agreed bid for **Phoenix**, Composites were subjected to a hectic speculative trade on hopes of further takeovers within the sector. **Phoenix** immediately soared to 655p in response to SA's agreed 650p per share cash bid before closing 143 higher on balance at 626p; SA closed 17 off at 343p, after 338p. Meanwhile, **Commercial Union** reflected renewed speculation that Allianz would reappear on the scene, and finished 8 to the good at 216p. **GRE** touched 555p before closing 5 better on balance at 543p but **General Accident** retreated from an initial firm level of 455p to end a couple of pence cheaper at 438p. **Royals** lost 5 at 450p, after 465p. Among Life issues, **Sun Life** were also supported on takeover hopes and closed 48 up at 640p. **Lloyds Brokers**, however, traded lower. **Minet** were friendless at 157p, down 10.

Clearers warmed to the increased lending charges. **Midland**, unsettled of late by dividend worries, advanced 7 to 317p, after 318p. **Barclays** edded a couple of pence to 467p, after 470p. The dearer money trend depressed Hire Purchases. **First National Finance Corporation** relinquished 2½ to 73p, while **Baltic Leasing** shed 8 at 178p and **United Leasing** fell 10 to 265p.

TDS Circuits, a manufacturer of high technology printed circuit boards, staged a satisfactory debut in the unlisted Securities Market despite the surrounding gloom. The shares, offered for sale at 380p, opened at 400p, but slipped back to 378p prior to closing at 380p.

Persisting fears that the recovery in beer sales will be cut short by moves towards dearer credit continued to weigh heavily upon leading Breweries. **Bass** slumped 12 more to 343p despite brokers Phillips and Drew raising their forecast for the current year to £220m. Cider concern **H. P. Bulmer** were again sold in the wake of the uninspiring full-year results and closed 18 down for a two-day loss of 41 at 142p.

There was no respite for Buildings which gave ground for the fourth consecutive day. For most of the session, business was virtually one-way, but a few buyers appeared after-hours and the leaders closed above the worst in places. **Blue Circle**, however, closed 7 down at the day's lowest of 368p, while **RMC** finished 4 cheaper at 334p, after 332p. **Tarmac** lost 6 more to 412p and **Redland** gave up 4 to 220p. Housebuilders awaited today's mortgage rates decision with some trepidation. **Barratt Developments** remained a sensitive market and shed 4 to equal its 1984 low of 86p, while **George Wimpey** lost 2 to 99p, after 98p. **McCarthy and Stone** gave up 15 for a two-day fall of 40 to 390p. **Countryside** lost 10 to 188p and **Ward Holdings** declined 6 to 126p. News that the William Leech Foundation, which speaks for 29.7 per cent of the Leech equity, had decided not to accept C. H. Beazer's 145p per share cash offer, left the former down another 6 at 118p, after 111p. **George Dew** reacted 9 to 66p following the poor interim results. Among Timbers, **Magnet and Southerns'** preliminary profits fell short of expectations and the price reacted to 106p prior to closing a net 20 down at 110p.

Down to 536p early on, **ICI** recovered to the overnight level of 540p before drifting back to close 2 cheaper on balance at 538p.

Stores volatile

Once again, leading Stores led consumer-orientated counters downwards and many issues fell to new lows for 1984 awaiting a substantial increase in mortgage rates today. Selected stocks staged a useful rally after the house close, although double-figure losses continued to predominate. **Woolworth** declined 20 to 410p, while **Burton**, 218p, and **Habitat Mothercare**, 260p, gave up 10 and 14 respectively. **Marks and Spencer**, on the other hand, rallied smartly from an earlier 198p to settle only 2 cheaper on balance at 205p.

Dealers reported only limited enquiry for secondary Stores which were generally content to mirror the majors. **MFI** slipped 8 to 133p reflecting scattered nervous selling ahead of next Tuesday's preliminary figures, but **Harris Queensway** finished only 4 down at 136p, having dipped to 128p earlier. **J. Hepworth** succumbed further and closed 12 lower at 250p. Among those reporting trading statements, **Ratners** eased a couple of pence to 41p despite the annual profits recovery, but **Stirling Group** provided one of the session's rare bright spots, rising 5 to 175p, after 180p, on the increased full-year profits and dividend and the proposed 3-for-2 scrip issue.

A depressed Electrical sector was featured by **Thorn EMI** which plummeted 43 to 473p on disappointment with the annual profits increase and an announcement that the group are buying the British Technology Group's 75 per cent stake in Inmos, the Government-backed micro-chip maker, for £95m cash. Other leaders rallied late to close a few pence above the day's lowest levels. **Plessey** eased only 2 to 200p, after 196p, while **GEC** ended only the turn off at 180p, after 178p. Elsewhere, **Cifer**, a dull market of late on poor interim results and staff redundancies, plummeted 13 afresh to 25p. Still plagued by Hong Kong worries, **BSR** fell 10 further to 155p, while **Oceonics** were 20 down at 150p following trading news. Completely against the trend, **Hadland** were marked up 5 to match terms of the 145p per share cash bid from Xenotron.

Still worried about the increase in interest rates Engineerings fell throughout the list. The leaders showed only modest losses with **Hawker** closing 4 down at 407p and **GKN**, 2 lower at 157p, after 156p. **Babcock** gave up 8 at 122p and **Matthew Hall** declined 11 to 227p, while **Martonair** relinquished 7 to 213p and **Adwest** dropped 6 to 116p. Doubled interim profits failed to bolster **Birmid Qualcast** which cheapened 5 to 72½p. **Tace**, however, rose 7 to 208p on further consideration of the excellent half-year profits.

Many leading Foods hit 1984 lows during the session, but some managed to edge off the bottom when cheap buyers appeared later. **Cadbury Schweppes** closed a couple of pence off at 118p, having been down to a low for the year of 115p. **Tate and Lyle** finished 8 down at 327p, after 325p. **Northern Foods** fell 8 to 166p, while **Avana** continued to reflect adverse Press comment and shed 10 for a two-day fall of 35 to 415p. Among Retailers, **J. Sainsbury** were on offer and gave up 5 to 490p, but **Associated Dairies**, down to 152p at one stage, picked up to close 2 cheaper on balance at 156p. Against the trend in widely lower secondary issues, **Callens A** moved up 45 to 210p on revived speculative demand.

Rank Org. pleases

Providing some relief to the general depression surrounding miscellaneous industrials leaders, **Rank Organisation** advanced 5 to 220p in response to the better-than-expected interim profits. **Glaxo** rallied from 845p to close a net 2 better on balance at 855p but **Hanson Trust** gave up 5 at 198p, after 194p. **Fleet Holdings** continued to retreat on fading hopes of a bid from Mr Maxwell's Pergamon Press, closing a further 6 down at 169p. Elsewhere, **British Aerospace** declined 5 to 322p, after 320p, awaiting further news of the GEC approach. Falls of 14 and 20 respectively were recorded in **Diploma**, 403p, and **Applied Computers**, 560p, while **Vinten** dropped 10 to 264p.

A sell recommendation depressed **Campari** which fell 6 to a 1984 low of 24p; two directors increased their personal holdings in the company yesterday.

Proceedings in Newspapers, having mainly centred on Fleet Holdings of late, switched to **Associated** following the latter's first-half performance which revealed profits well short of market estimates; marked down to 430p in immediate reaction, the shares settled 55 lower on balance at 440p. **Daily Mail A**, which also announced interim figures, dipped 55 to 730p.

Oils decline

Properties showed few signs of rallying after some institutional selling and usually closed at the day's lowest. Sentiment was not helped by disappointing preliminary results from **Haslemere Estates**, which closed a net 16 down at 470p. **Land Securities**, 267p, and **MEPC**, 277p, both shed 5, while **Capital and Counties** lost 3 to 177p. **Greycoat City Offices'** annual results were deemed satisfactory, but the shares fell 6 to 174p in line with the trend.

Dealings in **London and Overseas Freighters** were suspended at 8p; the company is expected to announce the annual results, and details of the proposed rights issue today.

Imperial Group proved one of the day's most lively stocks, falling to 134p at one stage before closing 10 off on balance at 139p following dissatisfaction with interim profits some £6m below most expectations.

Worries that increased oil production by Nigeria could exert downward pressure on North Sea oil prices prompted substantial losses throughout leading oils. These were partly recouped in after-hours trading when good buying interest was reported but most issues ended the day showing falls which ranged up to double figures. **Britoil** closed 10 off at 217p, after 216p. **Ultramar** dropped 9 more to 231p, after a year's low of 228p and **LASMO** a like amount to 267p. **BP** settled 8 cheaper at 430p after 425p.

Secondary stocks posted widespread losses. **Petranol** weakened to 388p before rallying to close only 12 cheaper at 408p. Irish exploration issues encountered substantial selling pressure in morning trading but staged a sustained recovery after hours. **Eglinton** followed Wednesday's 26 decline with a further fall to 151p before fresh speculative interest boosted the shares to 171p, a net gain of 9. **Bryson**, down to 383p early on rallied to close only 2 easier on balance at 438p.

A relatively steady performance by bullion, judged by the recent volatility in the metal price, prompted a modest rally in South African Golds. Bullion eased to around $339 in initial trading but subsequently rallied to close little changed on balance at $342 an ounce.

Share prices opened on a quietly steady note and thereafter edged higher in response to persistent small buying from the Continent and Johannesburg although interest from the latter was much reduced by another erratic performance by the Rand against the dollar.

After-hours trading was extremely quiet and the majority of Golds ended the day with modest gains on balance.

The Gold Mines index moved up 7.0 to 539.8.

Renewed and substantial weakness throughout UK equities caused initial nervous selling in London-registered Financials but most ended the day well above their lowest levels. **RTZ** dropped to a 1984 low of 520p before recovering to close only 3 easier at 527p, while **Consolidated Gold Fields** were finally unaltered at 478p, after 473p and **Hampton Areas** 5 down at a year's low point of 165p.

Australians displayed numerous new lows for 1984 but the overall trend was only marginally easier, despite the sharp decline on Wall Street overnight.

For the third consecutive session in Traded Options, business in puts exceeded that in calls. Total contracts struck amounted to 7,925—the highest since the introduction of contracts in the FTSE 100 last May. Once again, considerable activity was noted for Imperial Group positions in the wake of the interim statement with 667 calls and 1,150 puts transacted, 531 of the latter done in the August 140's.

FINANCIAL TIMES STOCK INDICES

	July 12	July 11	July 10	July 9	July 6	July 5	year ago
Government Secs	70.44	75.65	78.47	77.23	77.79	78.02	80.61
Fixed Interest	80.87	81.10	81.55	81.88	82.25	82.40	85.22
Industrial Ord.	771.1	782.0	794.0	811.6	810.3	835.6	888.3
Gold Mines	539.8	532.8	560.1	539.3	538.8	562.4	655.7
Ord. Div. Yield	5.11	5.04	4.93	4.88	4.84	4.77	4.64
Earnings, Yld.% (full)	11.23	11.71	11.58	11.34	11.24	11.07	0.13
P/E Ratio (net) (*)	10.18	10.36	10.38	10.60	10.70	10.88	13.54
Total bargains (Est.)	18,855	18,561	17,087	19,020	18,843	13,430	18,640
Equity turnover £m.	—	381.86	208.46	133.70	813.88	188.84	303.12
Equity bargains	—	15,708	14,302	15,737	12,631	13,764	15,755
Shares traded (ml)	—	173.1	115.7	102.7	120.3	105.1	154.2

10 am 775.9. 11 am 772.8. Noon 766.0. 1 pm 758.8. 2 pm 758.9. 3 pm 766.0.

Basis 100 Govt Secs 5/1/56. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=9.86.

HIGHS AND LOWS

	1984 High	1984 Low	Since Compilation High	Since Compilation Low
Govt. Secs	83.77 (9/1)	76.44 (12/7)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.48 (9/1)	80.07 (12/7)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	922.8 (4/5)	770.5 (4/1)	922.8 (4/5/84)	49.4 (26/6/40)
Gold Mines	711.7 (9/3)	520.2 (12/7)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	July 11	July 10
Daily Gilt Edged Bargains	176.8	153.5
Equities Bargains	101.8	92.7
Value	080.0	481.3
5-day Average Gilt Edged Bargains	153.8	146.0
Equities Bargains	81.7	90.2
Value	440.8	424.3

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thur July 12 1984 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Wed July 11 Index No.	Tues July 10 Index No.	Mon July 9 Index No.	Fri July 6 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (203)	450.90	-1.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (23)	402.18	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (30)	605.34	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (14)	1429.54	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (62)	229.85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (193)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Newspapers, Publishing (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33 Packaging and Paper (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (46)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Tobaccos (3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
39 Other Consumer (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 OTHER GROUPS (87)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Office Equipment (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Miscellaneous (52)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (483)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oils (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX	501.89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (120)	360.90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
63 Discount Houses (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (53)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (104)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (742)	464.98	-1.3	—	5.13	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 SHARE INDEX	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Thur July 12	Day's change %	Wed July 11	xd adj. today	xd adj. 1984 to date
British Government					
1 5 years	113.65	-0.21	113.77	—	5.94
2 5-15 years	122.15	-0.18	122.38	—	7.32
3 Over 15 years	126.51	-0.12	126.66	—	8.35
4 Irredeemables	137.11	—	137.11	—	7.27
5 All stocks	121.81	-0.14	121.98	—	7.04
6 Debentures & Loans	100.74	-0.26	101.00	—	5.52
7 Preference	74.28	-0.60	74.73	—	3.42
BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8 All stocks	98.81	+0.32	98.49	—	1.36

AVERAGE GROSS REDEMPTION YIELDS		Thur July 12	Wed July 11	Year ago (approx.)
British Government				
1 Low Coupons	5 years	11.63	11.59	9.93
2	15 years	11.48	11.45	10.39
3	25 years	10.88	10.87	10.14
4 Medium Coupons	5 years	12.78	12.71	11.54
5	15 years	[illegible]	[illegible]	[illegible]
6	25 years	[illegible]	[illegible]	[illegible]
7 High Coupons	5 years	[illegible]	[illegible]	[illegible]
8	15 years	[illegible]	[illegible]	[illegible]
9	25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables		[illegible]	[illegible]	[illegible]
11 Debs & Loans	5 years	[illegible]	[illegible]	[illegible]
12	15 years	[illegible]	[illegible]	[illegible]
13	25 years	[illegible]	[illegible]	[illegible]
14 Preference		13.33	13.24	12.20
15 Inflation rate 5%	5 yrs	3.97	3.99	3.32
16 Inflation rate 10%		3.78	3.81	3.15

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (7)

STORES (1) Stirling Group

FOODS (1) Cullens Stores A

INDUSTRIALS (1) Jacksons Bourne End

INSURANCE (1) Phoenix Assurance

PROPERTY (1) Peel Hldgs

TRUSTS (2) Camellia Invs, Amalgamated

NEW LOWS (426)

BRITISH FUNDS (11) INT BANK & O'SEAS GOVT STLY ISS (1) CORPORATION LOANS (6) LOANS (3) FOREIGN BONDS (2) AMERICANS (3) CANADIANS (2) BANKS (12) BREWERS (5) BUILDINGS (25) CHEMICALS (8) DRAPERY & STORES (27) ELECTRICALS (39) ENGINEERING (33) FOODS (13) HOTELS (3) INDUSTRIALS (84) LEISURE (11) MOTORS (4) NEWSPAPERS (11) PAPER (10) PROPERTY (17) SHIPPING (3) SOUTH AFRICANS (1) TEXTILES (6) TOBACCOS (1) TRUSTS (21) OILS (14) OVERSEAS TRADERS (6) PLANTATIONS (2) MINES (24)

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	16	61	28
Corpns. Dom. and Foreign Bonds	11	14	55
Industrials	58	782	687
Financial and Props.	23	320	178
Oils	5	54	61
Plantations	—	5	15
Mines	43	43	89
Others	26	123	110
Totals	180	1,382	1,123

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Associated Newspapers	440	-55
Bryson Oil and Gas	438	-2
Burton	218	-10
Eglinton Oil and Gas	171	+9
Fleet Holdings	169	-6
Hanson Trust	198	-5
Haslemere Estates	470	-16
Petranol	408	-12
Phoenix Assurance	626	+143
Thorn EMI	473	-43
Woolworth	410	-20

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$225	80	60	—	[illegible]	[illegible]	[illegible]	$341
GOLD C	$350	46	6.50	86	17	[illegible]	[illegible]	
GOLD C	$375	44	3.30	40	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS 17,564

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price p	+or-	Net Div.	Times covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. C Canadian F Dividend and yield based on prospectus or other official estimates for 1984. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. p Pence unless otherwise indicated. ‡ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶ Issued in connection with reorganisation merger or take-over. ‖‖ Allotment letters (or fully-paid). ◆ Introduction. ● Unlisted Securities Market. § Placing price. †† Official London Listing. ‡ No par value.

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Wed. close	Day's change
Hanson Trust	18	203	-8
Phoenix Assoc.	19	483	+18
STR	14	410	-12
Barclays Bank	13	465	+3
Commel. Union	13	208	+1
Cbl. & Wireless	12	275	-13
Tarmac	12	418	-10
BP	11	438	-2
Eglinton Oil and Gas	11	35	+7
Espley Trust	11	855	+3
NatWest Bank	11	600	+7
Unilever	11	885	-18
Fleet Holdings	10	175	-7
ICI	10	540	-4

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
July 9	July 20	Oct 11	Oct 22
July 23	Aug 3	Oct 25	Nov 5
Aug 6	Aug 17	Nov 8	Nov 19

For rate indications see end of Share Information Service.

Call options were arranged in Barratt Developments, Cosalt, Eglinton Oil and Gas, GEC, Acorn Computer, Jardine Matheson, Polly Peck, Ramar Textiles, Atlantic Resources, Premier Oil, Aran Energy, Associated British Trust, Bryson, Bula, Espley Trust, Fleet Holdings, First National Finance, Reliant Motor and Turner and Newall. No puts or doubles were reported.

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
B.P. (*433)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cons Gold (*463)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Courtaulds (*111)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Com. Union (*184)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
G.E.C. (*180)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met. (*302)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
I.C.I. (*540)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Sec. (*278)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marks & Sp. (*202)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Trans. (*605)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Barclays (*457)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Imperial Gp. (*137)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LASMO (*275)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lonrho (*131)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P. & O. (*283)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal (*216)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R.T.Z. (*527)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vaal Reefs (*$102)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Sep.	Calls Dec.	Calls Mar.	Puts Sep.	Puts Dec.	Puts Mar.
Beecham (*290)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots (*145)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
De Beers (*$6.00)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Guest Keen (*157)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson (*190)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tesco (*166)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Index (*980)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

July 12. Total Contracts 7,925. Calls 3,518. Puts 4,407.

* Underlying security price.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
100	99	Treas 12pc 1984	100	+	12.00	11.29
105	101	Treas. 15pc 1985	101	−	14.76	11.99
182	100	Exch. 12pc Cnv '85	100	.....	12.00	11.57
95	93	Treas 3pc 1985	93	−	3.20	10.97
102	99	Treas 11½pc 1985	99 xd	−	11.54	11.91
99	96	Treas. 8¾pc Cnv '85	96	−	9.06	11.96
104	100	Exch. 12½pc 1985	100	−	12.23	12.06
103	99	Exch. 11¾pc '86	99	−	11.85	12.25
102	96	Treas. 10pc Cnv 1986	96	−	10.36	12.35
90	88	Treas 3pc 1986	89	−	3.34	9.05
102	96	Exch. 10½pc Cv '86	96	−	10.83	12.16
104	99	Treas 12pc 1986	99	+	12.07	12.31
98	93	Treas 8½pc 1984-86	93 xd	+	9.05	12.01
108	102	Exch 14pc 1986	103	−	13.59	12.40
87	85	Exch. 2½pc 1986	85	−	2.93	9.39
107	101	Exch. 11¾pc 1987	101 xd	−	13.0	12.50

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

1984 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
34¼	26	Abbott Labs $	33 xd	−	$1.20	—	2.8
24	11	Ahmanson (H.F.)	14¼	−	$1.20	—	6.5
34	23	Alcoa $1	25	−	$1.20	—	3.6
39½	23	Allied Corp $1	23	−	$1.80	—	5.8
19	14	Amax $1	15	+	20c	—	1.0
995p	805p	Amdahl 5c	823p	−4	20c	—	1.9
24	18	Amer. Express $0.60	21	−	$1.28	—	4.7
19	14	Amer. Medical Intl $1	17 xd	+	48c	—	2.1
23	20	Amer. Nat. Res. $1	22¼ xd	−	$1.41	—	4.9
13	10	American T. & T. $1	13	−	$1.20	—	7.0
51	43	Ameritech $1	51	−	$6.00	—	9.0
21½	15	Amfac $1	16¼ xd		$1.44	—	6.6
23p	16p	Arid Tech.	20p		—	—	—
16	10	Bancamerica $1	12	−	$1.52	—	9.6
36	27	Bankers N.Y. $10	29	−	$2.45	—	6.4
54	46	Bell Atlantic $1	54	−	$6.40	—	9.1
23	19	BellSouth $1	22		$2.60	—	9.1
20	13	Beth. Steel $8	13		60c	—	3.4
31	19	Brown-Forman	24	+	90c	—	3.1
23	16	Brunswick Corpn. $1	22	−	80c	—	2.7
26	24	CPC Intnl. 25c	28 xd	+	$2.20	—	6.0
48	39	Campbell Soup 60c	47	+	$2.30	—	3.7
36	26	Caterpillar Tractor $1	28	−	$1.50	—	4.1
36	27	Chase M'htn $12.5	28	−	$3.15		9.3
24	17	Chemical New York	20	−	$2.36	—	9.1
28	22	Chesebrough-Pond's $1	27	−	$1.92	—	5.4
22	15	Chrysler $6¼	19	−	60c	—	2.4
27	19	Citicorp $4	21	−	$2.06	—	7.4
32	31	City Inv. $1.25	33		$2.00	—	4.9
16	14	Colgate-P. $1	10	−	$1.28	—	5.5

CANADIANS

BANKS, HP & LEASING

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

1984 High	1984 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
45	37	Maclellan 20p	38	......	1.6	2.1	6.2	(8.8)
138	44½	Macpherson (D.)	138	......	ф2.25	0.1	2.3	—
64	45	Magnolia Group	45	–2	2.5	1.2	7.9	4.4
64	42	♦Mainmet Hldgs 10p	42	–1	—	—	—	44.7
270	157	Man. Ship Can. £1	212	......	5.5	3.5	3.7	18.9
95	66	Marley	66	–2	3.3	2.3	6.9	9.2
58½	40	Marling Ind. 10p	55½	–1	1.3	ф	3.4	ф
46	29	Marshall L'xy. 'A'	30	–3	1.2	3.6	5.7	(5.4)
*54	37	Marshall's Univ	42xr	–2	♦H1.75	—	6.0	12.6
30	20	Martin-Black	22d	......	—	—	—	—
1108	£88	♦Mathesons 7¾%	£98	......	Q7¾%	2.3	18.2	—
370	292	Metal Box £1	292	–10	15.0	3.0	7.3	5.0
220	129	Metal Closures	154	–0	6.3	ф	5.8	ф
27	13	♦Metal Sciences 2½p	15	–2	—	—	—	—
19	8	Metanec Jenique	10½	+½	0.01	—	—	—
133	83	♦Midland Marts	83	–2	4.0	ф	6.9	ф
64½	45	Mitchell Cotts	52	–½	3.62	1.8	8.9	(15.0)
29	14	Moben Grp 1p	14	–1	0.5	2.5	5.1	(8.8)
168	132	Morgan Crucible	153	–4	7.5	1.2	7.0	(15.5)
30	13½	♦Morris (W) Fine Arts	25	......	bg0.25	4.0	2.4	13.7
*95	80	Moss (Robt.) 10p	85xr	–6	2.5	2.9	4.2	10.3
338	197	♦NMW Computers	283	–7	6.0	3.0	3.0	15.8
65	47	Nash Inds.	47	......	4.0	2.2	12.6	5.3
47	30	Neill&Sp'ncer10p	30	–3	—	—	—	12.9
70	45	New Equip 10p	70	......	ф3.15	6.5	2.3	9.4
55	36	Newman Indusis	38	–1	—	—	—	(10.1)
31	16½	Do. 10pc Cv. Cnv. Pf.	18½	–½	10%	—	7.7	—
67	43½	Norton	53	......	1.0	2.9	2.7	18.6
175	139	Norcros	139	–1	7.5	2.4	8.0	7.1
86	59	Nu-Swift 5p	62	......	—	—	—	12.1
100	50	Oakwood Grp.	50	......	‡d6.5	—	‡	—
190	145	Office & Elect	170	–2	7.5	2.8	6.3	7.6
075	700	Oriflame Intl SA	808	......	Q53c	2.2	4.5	10.0

[illegible]

LEISURE—Continued

1984 High	1984 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
158	90	Mngmt. Ag. M. 10p	125	......	8.75	1.3	10.0	10.9
115	76	Mesminster 10p	78	–3	†4.4	2.3	8.1	7.8
171	138	♦Miss World 10p	160	......	3.0	3.5	2.5	14.6
24½	15	♦Nationwide Leis.	15	–1	0.25	2.0	2.4	20.1
50	10	♦Nimslo Int 20c	11	–1	—	—	—	—
145	112	Norton Opax 10p	135	–3	‡2.17	4.3	2.3	9.7
		For Our Price see Stores						
31½	16½	♦Owners Abroad	16½	–¼	0.75	6.1	6.5	3.0
66	35	Photax (Lon.)	40	......	—	—	—	—
150	75	♦Pineapple Dnc St 10p	75	–7	d1.5	4.0	2.9	4.5
420	285	Pleasurama 5p	310	–3	6.5	4.7	3.0	10.1
158	80	♦Radio City 'A' N/V	80	......	5.6	1.9	10.0	7.4
70	57	♦Radio Clyde N/V	57	......	3.0	1.4	7.5	13.3
148	52	Riley Leisure 10p	52	–10	4.2	2.4	11.5	4.3
118	95	Saga Hols. 20p	95	–1	3.75	ф	5.6	ф
390	290	Samuelson Grp £1	310	–15	d12.0	2.7	5.5	9.6
27½	20	♦Sangers Photo 10p	21	......	bg1.25	1.0	8.5	9.5
164	98	Scott. TV 'A' 10p	152	......	8.1	2.9	7.6	7.3
280	306	SeaCo Inc	277	......	—	—	—	—
35	10	♦SelecTV 10p	20	......	—	—	—	—
37	24	TSW 5p	38	......	1.2	2.2	5.7	11.6
150	79	♦TVS N/Vtg 10p	128xd	–2	†2.0	5.5	2.2	10.6
30	22	♦Televison Svcs 10p	24	–½	g0.2	3.7	1.2	32.9
90	60	Tottenham Hotspur	60	–4	bn.0	1.9	9.5	(3.3)
147	120	Trid'nt TV 'A' 10p	133	–1	†5.5	1.8	5.9	13.1
168	100	♦21st Century Dist.	100	......	—	—	—	—
197	135	♦Tyne Tees TV 'A' £1	163	......	8.25	2.4	7.2	8.4
83	53½	Ulster TV N/V 'A'	75	......	h4.0	2.5	7.6	7.0
25½	17	Webb (Jos.) 5p	17	–½	d0.51	0.5	4.3	—
98	88	Zetters 5p	89	–1	†3.1	3.0	5.0	9.5

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australians

1984 High	1984 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
45	23	♦ACM 50c	23	......	—	—	—
38	20	♦Allstate Expl'n. NL	28	......	—	—	—
10½	4	♦Asia Oil & Minerals	4¼	......	—	—	—
14	12	♦Aust. Hydrocarbons NL	16	......	—	—	—
28	17½	♦Australis Mng NL	17½	......	—	—	—
45	15	♦Balmoral Res	26	......	—	—	—
36	21	♦Black Hill Mins	21	......	—	—	—
104	77	♦Bond Corp	87	+1	Q10c	0.7	7.5

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

OPTIONS — 3-month call rates

[illegible]

"Recent Issues" and "Rights" Page 37

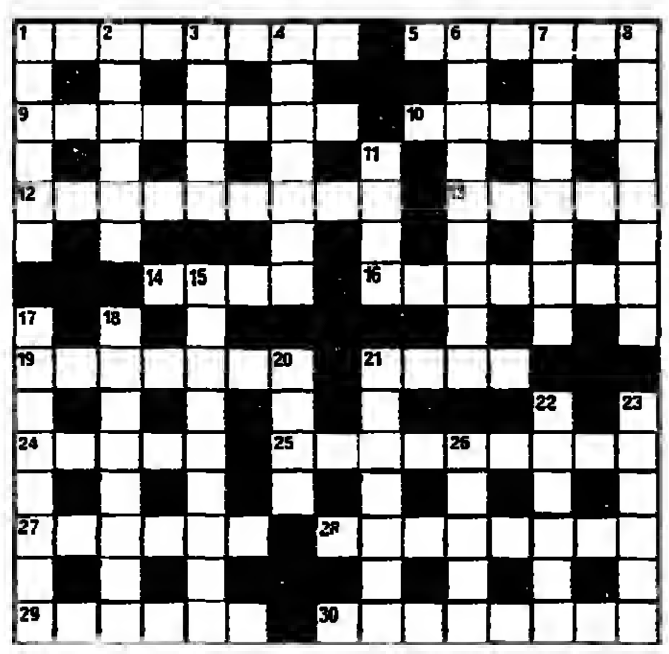
This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,464



ACROSS

1 Mixed native settlement (8)
5 Descending line in melody (6)
9 and 10 Numbers out of order (5, 3, 6)
12 A tin medal ordered to be plated (9)
13 Descriptive of a great sea-power (5)
14 Birds can do it with their eyes shut (4)
16 She has visited an unlicensed drinking establishment (7)
19 Sort of call a yodeller makes at a quiet time? (3-4)
21 The position is reversed with the heartless (4)
24 A rope-spinning display on stage (5)
25 He takes oil lamp out to see a nightingale (9)
27 Adds a piece to the jigsaw —it's right and wrong (4, 2)
28 Major report produced by a VIP (3, 5)
29 I'd call round on horseback (6)
30 Plant it in haste (8)

DOWN

1 A class given by an expert cellist (6)
2 Team held by mother to be the tops (6)
3 Mr Welles gives no backing to horse he withdraws (5)
4 Journey on such a train can only have one end (3-4)
6 Well, no one wants it (9)
7 Where to find a N.E. breed? (8)
8 Sling net around young bird (8)
11 A clergyman's increases (4)
15 Architect's work bringing a peerage? (9)
17 Insolently exceed one's station? (2, 3, 3)
18 Moved in an unnatural way (8)
20 Hides and sleeps (4)
21 A self-effacing action? (7)
22 A sign of twins (6)
23 In which they work 13 to the dozen (6)
26 Lightweight cat (5)

Solution to Puzzle No. 5,463

INSURANCE, OVERSEAS & MONEY FUNDS

Liberty Life Assurance Co Ltd
Station Rd, New Barnet. 01-440 8210
Fund Managers, Touche Remnant & Co.

Sel Sec A	23.9	25.2	.....	—
Blue Chip	19.2	20.3	.....	—
Fixed Yield	18.2	19.2	.....	—
Guaranteed Way	15.4	16.2	.....	—
Managed	11.7	18.7	.....	—
International	23.2	24.9	.....	—
Property	15.2	16.0	.....	—
Pacific	17.9	18.9	.....	—
Equity	14.5	15.3	.....	—
Special Sits	20.8	21.9	.....	—
Int Currency	11.5	19.1	.....	—
Index Linked Secs	10.5	11.1	.....	—
American	16.7	17.6	.....	—

Life Assur. Co. of Pennsylvania
8, New Rd, Chatham, Kent. Medway 812348

LACOP Units	14.08	14.78	.....	—

Lloyds Life Assurance
20, Clifton St, EC2A 4HX. 01-920 0202

Multi Gwth July 6	£2.69143		.....	—
Multi Gwth 'A' July 6	248.0	261.1	.....	—
Op 8 Prop July 12	250.8	264.0	+0.1	—
Op 8 Equity July 12	290.5	305.8	−7.6	—
Op 8 HY July 12	250.8	264.0	−4.1	—
Op 8 Man July 12	297.6	311.3	−7.6	—
Op 8 Dep July 12	193.9	204.2	+0.1	10.25
Op 8 Int Bond July 12	162.3	170.9	−0.6	—
Op 8 Inc Dist July 12	128.3	135.1	−2.3	8.00
Op 8 Int Man July 12	173.6	182.8	−1.4	—
Op 8 US$ July 12	138.8	146.2	+2.9	12.12
Pens 8 Pr Ac June 15	314.4	331.0	.....	—
Pens 8 Pr Cp June 15	210.9	222.0	.....	—
Pens 8 Eq Ac June 15	833.3	877.0	.....	—
Pens 8 Eq Cp June 15	558.6	588.1	.....	—
Pens 8 FI Ac June 15	366.4	385.7	.....	—
Pens 8 FI Cp June 15	245.7	258.7	.....	—
Pens 8 Md Ac June 15	522.0	549.5	.....	—
Pens 8 Md Cp June 15	350.0	368.5	.....	—
Pens 8 Dp Acc June 15	300.4	316.3	.....	—
Pens 8 Dp Cp June 15	201.4	212.1	.....	—

Britannia Funds—Series A

Am Smllr Co's July 11	125.9	132.6	.....	—
Am Spec Sits July 11	141.5	149.0	.....	—
Commodity July 11	73.1	77.0	.....	—
Extra Inc July 11	109.5	115.3	.....	—
Far East July 11	93.2	98.2	.....	—
Fin Secs July 11	133.0	140.0	.....	—
Gold & Gen July 11	88.9	93.66	.....	—

National Provident Institution
48, Gracechurch St, EC3P 3HH. 01-621 4200

Managed	167.6	176.5	−0.7	—
UK Equity	172.9	182.1	−1.1	—
Overseas Eq.	162.0	170.6	−1.9	—
American	167.4	176.3	−2.2	—
Far East	156.2	164.5	−1.7	—
Property	109.2	115.0	−0.1	—
Fixed Int.	146.4	154.7	+0.4	—
Indexed Gilt	94.3	99.3	+0.5	—
Deposit	110.4	116.3	..	—

Pension Fund Prices

Man. Initial	163.4	172.0	−1.0	—
Man Acc.	178.8	188.3	−1.1	—
UK Eq. Initial	159.0	161.4	−2.6	—
UK Eq.	171.6	180.7	−2.8	—
Overseas Eq. Initial	184.0	193.7	−2.1	—
Overseas Eq.	207.7	218.7	−2.3	—
American Initial	178.3	187.7	−2.6	—
American	191.1	201.3	−1.8	—
Far East Initial	193.6	203.8	−1.8	—
Far East	210.1	221.2	−2.0	—
Prop. Initial	104.5	110.1	−0.1	—
Prop.	113.2	119.2	−0.1	—
Fixed Int. Initial	129.6	136.5	+0.7	—
Fixed Int.	140.1	147.5	+0.7	—
Indexed Gilt Initial	89.5	94.3	+0.4	—
Indexed Gilt	97.0	102.2	+0.5	—
Deposit Initial	108.9	114.7	.....	—
Deposit	118.4	124.7	+0.1	—

NPI Pensions Management Ltd.

Managed Fund	499.2	471.0	.....	—

Prices June 29. Next dealing August 1.

New Zealand Sth. Brit. Insce. PLC
Maitland House, Southend SS1 2JS 0702 62955

Kiwi Key (Managed)	323.2	113.2	.....	—
UK Equity	138.1	145.4	−2.6	—
American	237.0	249.5	+0.8	—
Pacific	325.5	342.4	−1.1	—
Property	148.3	156.1	+0.1	—
Gilt	168.0	176.8	−0.4	—
High Inc. Equity	130.4	137.3	−2.7	—
High Inc. Fxd. Int.	96.3	101.4	.....	—
Deposit	145.9	153.5	.....	—
Index Linked Gilt	97.2	102.3	.....	—

Norwich Union Insurance Group
PO Box 4, Norwich NR1 3NG. 0603 22200

NUIG (Managed Funds) Ltd.

Managed Fund	454.8	478.7	−5.2	—
Equity Fund	798.0	840.8	−17.6	—

OFFSHORE AND OVERSEAS

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Dynamic Gwth Fd		38.67	.....	—

Money Market Trust Funds

	Nom	Apr	Int Cr	Notice
Mallinhall Ltd 36 Berkeley Sq, W1X 5DA. 01-499 6634				
M'hall Mny Fd.	11.50	12.03	Qtr	Call
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	11.60	11.95	6-mth	Call
7-day Fnd	9.02	9.23	6-mth	7-day
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	11.57	11.90	6-mth	Call
7-day Fund	8.71	8.89	6-mth	7-day
Money Mngt. Accl.	11.50	12.01	3-mth	1-day
Dollar	9.75	10.00	6-mth	2-day

Money Market Bank Accounts

	Nom	APR	Int Cr	Notice
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	8.75	9.04	Qtr	Call
Monthly Acc	8.75	9.11	Mth	Call
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc.	10.25	10.75	Mth	Call
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int Cheque	10.25	10.65	Qtr	Call
Britannia Grp of Investment Companies 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	11.75	12.40	Mth	Call
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	11.0	11.57	Mth	Call
U.S. Dollar	11.0	11.73	Mth	Call
German Marks	5.0	5.19	Mth	Call
Swiss Francs	3.0	3.08	Mth	Call
Japanese Yen	5.5	5.72	Mth	Call
Choulartons 30 Ashley Rd, Altrincham, Cheshire, WA1 2DW 061-928 9011				
Cheque Acc.	10.08	10.56	Mth	Call
Co-operative Bank 78-80 Cornhill EC3 01-626 6543 Ex 464				
Cheque & Save	9.00	9.31	Qtr	Call
Over £1,000	10.50	10.92	Qtr	Call
Darlington & Co Ltd Darlington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc	11.50	11.97	Qtr	Call
Lombard North Central PLC 17 Bruton St, W1A 3DH. 01-409 3434				
Notice Dep	11.25	11.57	Rate	14-day
M & G/Kleinwort Benson 01-99 New London Rd, Chelmsford. 0245 51651				
High Int Cheque Acc.	11.50	12.18	Daily	Call
Midland Bank plc PO Box 2, Sheffield 0742 20999 Ext 8738				
High Int Chq.	10.00	10.38	Qtr	Call
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
High Int. Sld. Acc.	9.51	10.00	Daily	Call
Premier Acc.	9.53	10.00	Daily	Call
Tyndall & Co 29-33 Princess Victoria St, Bristol BS8 4BX. 0272 732241				
Demand Acc	11.54	12.05	Qtr	Call
Money Acc.	8.75	9.04	Qtr	Chq/7
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	11.625	12.26	Mth	Call
Over £10,000	11.875	12.54	Mth	Call

NOTES.—Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. $$ Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase.

COMMODITIES AND AGRICULTURE

Pechiney to cut aluminium capacity in Europe

BY PAUL BETTS IN PARIS

PECHINEY, the leading French nationalised aluminium group and the world's third-largest aluminium producer after Alcan and Alcoa, is to cut its aluminium capacity in Europe by 70,000 tonnes a year.

The cut is in response to the recent fall in demand for aluminium and the subsequent sharp decline in spot market aluminium prices. The decision follows similar production-cut moves by large international aluminium producers including Alcoa and Kaiser.

Pechiney, which since nationalisation has undergone major corporate surgery and increasingly been on the road to financial recovery, said yesterday the 70,000-tonnes annual cut would involve production facilities in France, The Netherlands and Greece.

The company would not disclose at this stage the specific cuts in the separate countries.

Pechiney's European aluminium production totalled 670,00 tonnes a year at the end of last December. The group's world-wide production totalled about 900,000 tonnes a year at that point.

Our Commodities Editor writes: Pechiney's announcement helped boost aluminium prices on the London Metal Exchange yesterday. The three months quotation gained £15.5 to £904.25 a tonne, also encouraged by the firmer trend in copper and gold.

Traders noted that Pechiney's move is likely to be followed by other European producers, notably in West Germany, as part of a concerted effort to halt the recent rise in world stocks which has resulted in a steep fall in prices in recent months.

Copper prices also advanced yesterday on reports that Chile had been buying supplies, probably to cover sales for which closed £11 higher at £1,027.75 a tonne.

Lead increased, too, after an announcement by Minero Peru declaring force majeure on shipments of refined lead due to a strike by workers at the La Oroya refinery.

A. M. & S. Europe, the only UK zinc smelter, confirmed it was cutting its list producer price by $50 to $990 a tonne in line with other European smelters.

● A recovery in the aluminium price this year is forecast in a mid-year review of metal markets, issued yesterday by the London Metals Research Unit of Shearson-American Express.

The review notes there has been only a marginal rise in stocks, which will be reversed by the production cuts and increased demand in the last quarter of the year.

Prices of other base metals are also expected to increase by the end of this year, after the U.S. presidential election.

Brazil may lift farm trade curbs

THE Brazilian Ministries of Planning, Finance and Agriculture agreed to propose the lifting of restrictions on the import and export of agricultural products from next year, the Agriculture Ministry said.

It said final decision on the proposal rested with the National Monetary Council but it did not know when the council would meet to discuss the issue.

● GUYANA'S state-owned bauxite mining company, Guymine, produced 220,000 tonnes of calcined bauxite in the first four months of this year, 6 per cent more than projected, the company said. Exports totalled 223,000 tonnes, surpassing the 202,000-tonne target for the period.

Production of metal-grade bauxite was 335,000 tonnes, below the 419,000-tonne target.

● AUSTRALIA's wool production forecasting committee lowered its second forecast of 1984-85 Australian wool output to 765.5m kg greasy from its first forecast of 770m made in May.

● A RECORD £1.96m was awarded to 17 UK farmers' co-operatives in the latest round of grant aid from Feoga for marketing and processing projects. Food from Britain's Co-operative Development Division said: "A total of 44 UK projects was approved, with aid totalling more than £5m.

● FUTURES trading on New York Mercantile Exchange (Nymex) for the first was up 4.4 per cent over the corresponding period last year. Trades registering to June 30 numbered 2,643,996.

● WORLD cotton stocks are expected to rise to 28m 480-lb bales by August 1, 1985, from 24.7m bales this August as gains in world output outpace the increase in world consumption, the U.S. Agriculture Department said.

Fontainebleau sows dubious seed

IT IS probable that the Fontainebleau Summit, which solved to a limited extent the British EEC budget contribution conflict, was much more damaging to the concept of a Common Agricultural Policy and European unity than the original differences.

As the price for West Germany being the principal financial support of the agreement, Chancellor Helmut Kohl persuaded the Summit to agree to extra national payments to his farmers.

It should be remembered that at the Community price review in the spring it was agreed that the West German monetary compensatory amounts (MCA), which gave farmers there an advantage of about 10 per cent over others, should be progressively dismantled starting with 5 per cent this year.

This would mean a similar fall in most farm prices and alarmed the farmers' unions. They claimed that they, in the circumstances of reduced incomes over the past year, should have special aids.

The method chosen by Herr Kohl was to allow farmers to charge an extra 5 per cent VAT on sales and to keep this money instead of banding it to revenue authorities.

This clearly torpedoes the object of the MCA reductions agreed in Brussels. This bad been to move towards common prices all over the Community. It also restores to West German farmers, however, their favourable position in the Community farm income league.

National aids are no new thing in the Community but have in the past existed on sufferance or been ruled out of order by the European Court.

British pig-farmers remember ruefully how Mr John Silkin, the then Labour Minister of Agriculture, gave special aid to pig-farmers but the court soon turned it down. Mr Silkin's aid, however, was a definite government subsidy; the West German version is not quite the same thing.

Unlike in Britain, food is subject to VAT in West Germany, as it is in several other European countries. So it can be argued that the increases to farmers' incomes will not be coming from national coffers but directly from consumers.

The same sort of fiddle is not available to aid British farming because there are as yet no taxes on British food. Farmers here can charge consumers what they will pay, leaving the intervention mechanism to provide basic support.

The beauty of the new West-German system, from the farmer's point of view at least, is that the consumer has no choice but to pay the extra. Nor does it make demands on the EEC budget, which should please the Community's finance ministers.

As for West German consumers, their organisation is but a shadow compared with the political power of the farmers' unions.

It is now clear that a precedent has been set for other member-states to soften the effects of Common financial disciplines with national funds. These need not necessarily involve the rather complicated procedures adopted in West Germany.

There is no essential difference that I can see between a state paying a direct subsidy out of tax revenues or allowing the tax collectors, that is, farmers collecting VAT, to keep a proportion of the take.

I doubt if member-countries will dash in to lavish cash on their farmers. Rather I would expect to see moves designed to regularise their present activities, which are of doubtful legality.

For Britain the situation is subtly different. Farmers are on the Government's hit-list for a variety of matters, from straw-burning to destruction of sites of special scientific interest.

They are also costing the taxpayer, after deducting the contributions from the Community, about £600m a year and, of course, much of Britain's contribution to Europe is lavished on farming, so the real cost is much higher.

Now that the principle of national variations has been legitimised by the Summit it is obviously open to any British Government to use the same method to reduce farmers' returns.

I am surprised that no one has yet suggested appealing the question of the West German concession, either to the European Court or to the European Parliament.

If this test is not made, it means that the Common Agricultural Policy as we have known it is finished and that this has been accepted by member-countries and farming organisations; or else that they have not woken up to the implications of Fontainebleau.

Farmer's Viewpoint: By John Cherrington

Cocoa demand accelerates

BY JOHN EDWARDS, COMMODITIES EDITOR

DEMAND FOR cocoa is increasing faster than expected in Britain and West Germany, it was reported yesterday. In the UK cocoa grindings, a measure of consumption, jumped by 20.5 per cent in the second quarter, according to figures issued by the Cocoa, Chocolate and Confectionery Alliance.

Grindings in April-June rose to 21,84 tonnes, from 18,144 tonnes in the corresponding period last year.

In West Germany, cocoa grindings in the second quarter rose to 48,570 tonnes, 18.4 per cent on the comparable period last year.

Traders said that in both cases the rise was bigger than expected though it is thought some of the increase in grindings merely reflects a reduction of bean-processing in West Africa.

Reaction on the futures market was fairly limited. The September position closed only £7.5 up at £1,810 a tonne. Traders noted, however, that market prices had been due to fall in London following the decline in New York overnight.

The estimate by the International Cocoa Organisation that consumption would exceed new production by 162,000 tonnes in the 1983-84 season was viewed as another steadying influence.

World sugar values drop

By John Edwards

WORLD SUGAR values dropped sharply yesterday, wiping out gains made earlier in the week. The London daily price for raw sugar was cut by $7 to $123 a tonne (the sterling equivalent fell by £5 to £94) and on the futures market there were similar reductions. The October position closed $6.6 lower at $135.3.

The decline started in New York overnight, with speculators apparently upset by the weak trend in precious metals and the lack of follow-through buying after the recent advance.

Sentiment was also undermined by reports that Brazil had resumed selling

Soviet grain imports expected to rise

WASHINGTON — The U.S. Agriculture Department raised its forecast of the Soviet Union's total grain imports in 1984-85 (July-June) by 3m tonnes to 38m tonnes, the second highest on record. The entire 3m-tonne rise was added to wheat imports, which the department now forecasts at 23m tonnes.

The department left unchanged its coarse-grain import forecast, at 14m tonnes, and its estimate of Soviet grain imports in 1983-84, at 33m tonnes.

It said the 23m-tonne wheat import forecast would be an all-time high. In its Soviet grain report it said recent significant Soviet wheat purchases prompted the increase.

It said Soviet wheat purchases from all sources so far this year totalled about 8m tonnes, well ahead of the pace of Soviet purchases by the corresponding date over the past three years.

The department said recent Soviet grain purchases appeared to cover expected imports for the first quarter of the July-June marketing year. In recent years when Soviet imports exceeded 30m tonnes, imports in the July-September period averaged more than 7m tonnes.

It said that with only modest amounts of grain available from principal Southern Hemisphere suppliers, and Canadian and European Community shipping schedules fairly well set by earlies sales, any significant additional Soviet grain-buying for July-September shipment would have to come from the U.S.

Reuter

Banana export target raised

By Canute James in Kingston

THE Windward Islands in the Eastern Caribbean have set a banana export target of 140,000 tonnes to Britain this year. The four islands—St Lucia, St Vincent, Grenada and Dominica—last year shipped 117,000 tonnes to Britain, to which they have preferential entry.

The group has set a 1986 target of 160,000 tonnes to be shipped to Britain. The industry in some islands was hit four years ago by a series of tropical hurricanes which destroyed several thousand acres of plants.

PRICE CHANGES

In tonnes unless stated otherwise	July 12 1984	+ or —	Month ago
Metals			
Aluminium	£1100	....	£1100
Free Mkt	$1200/1250	+10	$1285/315
Copper			
Cash h Grade	£1008.5	+11	£989.6
3 mths	£1027.75	+12	£1006.5
Cash Cathode	£1021	+12	£992.5
3 mths	£1034.25	+17.25	£1008.6
Gold troy oz	$342	+0.5	$375
Lead Cash	£378	+9.5	£346.5
3 mths	£371.9	+6	£344.75
Nickel	£5209	....	£5097
Free Mkt	207/297c	—8	215/255c
Palladium oz	$138.29	+0.5	$152.50
Platinum oz	$344.00	—1.5	$382.50
Quicksilver†	$296/305	....	$295/305
Silver troy oz	566.40p	+3.35	626.65p
3 mths	571.60p	+4.00	640.40p
Tin cash	£9500	+66	£9160
3 months	£9416	+40	£9092.5
Tungsten	$85.23	....	$84.14
Wolfram 22.04lb	$81/86	—1	$86/89
Zinc	£637.75	+1.25	£638.5
3mths	£649.75	+1.25	£636.9
Producers	$990/1040	....	$1050/1090

	July 12 1984	+ or —	Month ago
Oils			
Coconut (Phil)	$1679y	—19	$1510
Groundnut	‡	....	‡
Linseed Crude	‡	....	‡
Palm Malayan	$560w	....	$830
Seeds			
Copra Phil	‡	—120	$820
Soyabean (U.S.)	$270.75w	—4.25	$316.90
Grains			
Barley Fut. Nov.	£109.45	—0.10	£106.49
Maize	£154.00	—0.5	£152.50
Wheat Fut. Nov.	£110.65	—0.2	£107.50
No2 Hard Wint	‡	....	‡
Other commodities			
Cocoa ship't*	£1976	+7	£2004
Futures Sep	£1810.5	+7.5	£1939
Coffee Ft. Sep	£2213	—2	£2223.5
Cotton A index	80.25c	—0.2	84.60c
Gas Oil Aug	$233.5	—1.5	$241
Rubber (kilo)	79p	+4.5	63.5
Sugar (raw)	£94y	—5	£107
Wooltops 64s	470p kilo	+8	475p kilo

‡ Unquoted. z Sept. w Aug. u Aug-Sept. y July-Aug. † Per 75 lb flask. * Ghana cocoa. n Nominal. c Cents per pound.

LONDON OIL

Although due to open unchanged against New York the gas oil market came under pressure during the morning. New York influenced a further drop in prices, and, except for a brief rally in the afternoon, the market failed to recover during the day, reports Premier Man.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	27.75-27.80	—
Dubai Fateh	27.65	—.09
Arab Heavy	99.70-20.80	—
North Sea (Forties)	28.40-28.70	—.05
North Sea (Brent)	29.40-29.80	—.07
African Bonny Lt'ht	28.30-28.70	—.05

PRODUCTS—North West Europe ($ per tonne)

Premium gasoline	297-271	—
Gas Oil	220-233	—
Heavy fuel oil	179-179	—

GAS OIL FUTURES

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
July	229.50	—0.75	230.75-29.25
Aug	235.50	—0.25	234.50-33.50
Sept	237.50	—0.50	238.25-37.25
Oct	241.90	—	242.25-41.50
Nov	244.00	—0.50	244.00-43.50
Dec	247.00	—1.75	247.00-45.50
Jan	249.25	—0.50	246.50-46.25
Feb	244.00	—2.25	—
March	243.99	—0.75	—

Turnover: 1,324 (1,251) lots of 100 tonnes.

GOLD MARKETS

Gold rose $½ to $341¾-342¼ on the London bullion market yesterday. It opened at $338-339, and was fixed at $339.50 in the morning, and $341.15 in the afternoon. The metal rose to a peak of $342¼-342¾, and touched a low of $338-338½.

In Paris the 12½ kilo gold bar was fixed at FFr 95,800 per kilo ($333.05 per ounce) in the afternoon, compared with FFr 95,500 ($339.461) in the morning, and FFr 95,200 ($339.08) Wednesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 31,200 per kilo ($340.72 per ounce), against DM 30,825 ($337.22).

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $339.50, compared with $335.50 on Wednesday.

In Zurich gold closed at $341½-342, against $340½-341.

LONDON FUTURES

Month	Yest'days close	+ or —	Business Done
	$ per troy ounce		
July	—	—	—
Aug	342.90-43.00	+1.80	344.00-40.00
Oct	349.50-50.00	+1.85	347.90
Dec	356.50-57.20	+1.85	—
Feb	368.90-64.90	—	—
April	371.00-72.20	—	—

Turnover: 450 (444) lots of 100 troy ounces.

	July 12		July 11	
Gold Bullion (fine ounce)				
Close	$341¾-342¼	(£261¼-262¾)	$341-342	(£258½-259¼)
Opening	$348-339	(£258¾-259¼)	$338-339	(£259¼-260½)
Morning fixing	$339.50	(£259.457)	$339.75	(£259.798)
Afternoon fixing	$341.15	(£260.460)	$339.26	(£258.476)
Gold and Platinum Coins July 12				
Krugrnd	$353-353¼	(£270¼-270¾)	King Sov	$81½-83 (£62¼-63¼)
½ Krug.	$182-182¾	(£130¼-140)	Victoria Sov	$81½-83 (£62¼-63¼)
¼ Krug.	$93-93¾	(£71¼-71¾)	French 20s	$66½-72 (£60-55)
1/10 Krug.	$38-38½	(£30-29¼)	50 Pesos Mex	$429-422 (£321½-323)
Maplelcaf	$352¾-353½	(£270-270½)	100 Cor Aust	$332-335 (£254-266½)
New Sov.	$80½-81¼	(£61½-62)	$20 Eagles	$570-600 (£436¼-459¼)
½ New Sov	$50-50¾	(£38¼-38¾)	Noble (Plat.)	$363¾-357¾ (£270½-273½)

EUROPEAN MARKETS

ROTTERDAM, July 12.

Wheat—(U.S.$ per tonne): U.S. Two Soft Red Winter Aug 151.25, Sept 152.50, Oct 155. U.S. Two Northern Spring 14 per cent protein Aug 174, Sept 171.50, Oct 175, Nov 177.50. U.S. Northern Spring 15 per cent protein Aug 170.50, Sept 177, Oct 181, Nov 183. U.S. Three Hard Amber Durum Aug 181, Sept 177.50, Oct 181.50, Nov 184, April/May 193. Canadian One Western Amber Durum July 190, Aug 188.50, Sept 189, Oct/Nov 191.50, Nov/Dec 195.

Maize—(U.S.$ per tonne): U.S. Three Yellow July 159, Aug 156, Sept 148.75, Oct/Dec 134, Jan/March 142 sellers. Argentine Plate afloat 166, July 165 sellers.

Soybeans—(U.S.$ per tonne): U.S. Two Yellow Gulfports Aug 264.75, Sept 263.75, Oct 249.50, Nov 249.50, Dec 252.75, Jan 256.60, Feb 261.10, March 264.40.

Soyameal—(U.S.$ per tonne): 44 per cent afloat 176, July 180, Aug 185, Sept 186, Oct 187, Nov/March 196 sellers. Pellets Brazil afloat 183, July 181, Aug 184, Sept 185, Oct 193, Oct/Dec 199 sellers. Pellets Argentine June 176, July 176, Aug 178, Sept 182, Oct 186, Oct/Dec 183 sellers.

PARIS, July 12.

Sugar—(FFr per tonne): Aug 1221/1230, Oct 1260/1265, Dec 1320/1340, March 1481/1485, May 1500/1510, Aug 1585/1619.

Cocoa—(FFr per 100 kg): July 2080 ash, Sept 2085/2090, Dec 1980/1985, Mar 1963/1975, May 1965 bid, July 1970 bid.

BRITISH COMMODITY PRICES

BASE METALS

BASE-METAL PRICES gained ground on the London Metal Exchange. Copper gradually moved ahead from £1,019 to £1027.5 following renewed influential support while news of a force majeure declaration by Centromin boosted Lead to £371 and Zinc to £641.5. The production cutback by Pechiney sustained Aluminium which closed at £907.75. Currency considerations boosted forward standard Tin to a record £9,425 prior to a closing level of £9,412.5.

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	1006-.5	+8.5	1008-0	+11
3 months	1024.5	+7.25	1027.5-8	+11
Settlem't	1006.9	+8.5	—	.....
Cathodes				
Cash	1027-9	+25.5	1020-9	+18
3 months	1045-7	+25.7	1937-.9	+17.2
Settlem't	1029	+26	—	.....

Amalgamated Metal Trading reported that in the morning three months Higher Grade traded at £1,023, 23.5, 24, cash £1,006, three months £1,024.5, 25, 25.5, 26, 25.5, 25, 24.5. Cathodes: Cash £1,020, three months £1,030, 31, 35. Kerb: Higher Grade, three months £1,027, 26.5, 26, 25.5, 26. Afternoon: Higher Grade, three months £1,025.5, 25, 24.5, 25, £1,026, 26.5, 27, 27.5. Cathods: Three months £1,037, 37.5. Kerb: Higher Grade, three months £1,027.5, 28, 27.5, 27, 27.5. Turnover: 19,750 tonnes. U.S. Producers: 62-67 cents per pound.

TIN

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	9520-5	+20	9530-40	+50
3 months	9488-90	+8.5	9485-6	+40.0
Settlem't	9529	+20	—	.....
Standard				
Cash	9502-10	+43.5	9495-05	+86
3 months	9423-5	+22.5	9410-90	+40
Settlem't	9510	+45	—	.....
Straits E	$20.15	—	—	.....

Tin — Morning: Standard, three months £9,425, 22, 20, cash £9,510, three months £9,420, 25. High Grade: Cash £9,530, 20, three months £9,490. Kerb: Standard, three months £9,420. High Grade: Three months £9,485. Afternoon: Standard, three months £9,422. High Grade: Three months £9,485. Kerb: Standard, three months £3,410. Turnover: 1,625 tonnes.

LEAD

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	379-.5	+8	377.0	+6.0
3 months	372.5-3	+8	371-2	+0
Settlement	370.5	+8	—	.....

Lead—Morning: Three months £374, 73, 72.5, 72, cash £379.5, 76, 76.5, three months £372, 72.5. Kerb: Three months £373, 74, 73.5. Afternoon: Three months £374, 75, 74.5, £374, 73, 72.6, 72. Kerb: Three months £372, 71. Turnover: 12,200 tonnes. U.S. Spot: 30-34 cents per pound.

ZINC

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	637-8	+1	637.5-8	+1.25
3 months	641.0-2	+2.25	642.5-3	+1.25
Settlem't	639	+1	—	.....

Zinc—Morning: Three months £643, 42, £642.5, 42. Kerb: Three months £642. Afternoon: Three months £643, cash £647.5, three months £644, 43.5, 43. Kerb: Three months £643, 42. Turnover: 6,450 tonnes. U.S. Prime Western 50.50-50.75 cents per pound.

ALUMINIUM

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —†
Spot	886-.5	+19.7	879.5-80.5	+14.0
3 months	906-7	+19.2	904-.5	+15.5

Aluminium—Morning: Three months £907, 08, cash £882, three months £907, 08, 08.5, 08, 07. Kerb: Three months £906, 05. Afternoon: Three months £905, 04, 02.5, 02, 01, 02, 02.5, 03, £905, 04. Kerb: Three months £904, 04.5, 05, 06, 07, 08, 06, 07.5. Turnover: 18,600 tonnes.

NICKEL

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
Spot	5520-5	+5	5533-7	+30
5 months	3605-10	—5	3615-20	+20

Nickel—Morning: Cash £3,520, three months £3,605, 19. Kerb: Three months £3,605, cash £3,520, three months £3,605, 19, 15, 20, 25, 20, 15, 19. Kerb: Three months £3,910, 15. Afternoon: Three months £3,610, £3,625, 22, 20. Kerb: Three months £3,620, 25, 22, 23, 22, 20, 22, 23. Turnover: 2,158 tonnes.

SILVER

Silver was fixed 3.35p an ounce highst for spot delivery in the London bullion market yesterday at 555.40p. U.S. cent equivalents of the fixing levels were: spot 726.2c, up 9.3c; three-month 747.2c, up 6.60c; six-month 771.7c, up 9.60c; and 12-month 824.7c, up 6.60c. The metal opened at 553½-556½p (723c-726c) and closed at 560p-563p (734c-737c).

SILVER per troy	Bullion fixing price	+ or —	L.M.E. p.m. Unoffial	+ or —
Spot	555.40p	+3.35	562.5p	+6
3 months	571.60p	+4.00	579p	+5
6 months	588.10p	+3.80	—	.....
12months	622.55p	+3.05	—	.....

LME—Silver (52,000 oz contract): Cash 562.5p (557.5p); three months 579p (574p). Turnover: 9 (2). Turnover: 55 (132) lots of 10,000 oz. Morning: Large 1st ring three months 571.0, 70.9; 2nd ring three months 571. Kerb: untraded. Afternoon: large 1st ring three months 577. Kerb: Large three months 578, 79.

COCOA

In thin trading futures moved within a £35 range and ended the day quietly. Producers were still reluctant to re-enter the market at current values and only light consumer offtake was seen, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
July	1919-30	—1.9	1835-14
Sept	1910-11	+7.5	1820-85
Dec	1797-29	+7.0	1735-08
March	1714-15	+0.9	1720-98
May	1719-22	+9.5	1723-09
July	1725-86	+2.5	1727-20
Sept	1734-88	+1.9	—

Sales: 3,343 (4,652) lots of 10 tonnes. ICCO indicator prices (U.S. cents per pound): Daily price for July 11: 101.42 (101.53); five-day average for July 12: 101.15 (101.27).

COFFEE

In moderate volume trade and dealer support, Commission House and trade selling produced a weaker start before at the lower levels encouraged a gradual recovery to around unchanged levels by early afternoon and a rally in New York produced additional gains before profit-taking and light trade selling returned values to around mid-range in most contracts.

COFFEE	Yesterday's Close	+ or —	Business Done
July	9195-98	—1.0	8896-79
Sept	9919-14	—9.0	9930-01
Nov	2255-34	—19.0	9860-89
January	2196-88	—5.0	2910-78
March	2070-73	—15.0	9082-70
May	9016-40	—17.0	—
July	1976-90	—17.0	—

Sales: 2,883 (2,763) lots of 5 tonnes. ICO indicator prices (U.S. cents per pound) for July 11: Comp. daily 1979 131.38 (143.04): 15-day average 143.46 (143.59).

GRAINS

LONDON GRAINS—Wheat: U.S. dark Northern Spring No 1 14 per cent Aug 144.25, Sept 142.75, Oct 145.75 transhipment east coast. Maize: U.S. No 3 yellow/French July 154 east coast. Barley: English feed fob Aug 108.50 seller Scotland. Rest unquoted.

The markets eased 50p on fears of a prolonged dock strike and rising interest rates but forwards found good shipper buying support in generally thin, flat trading to close at the day's highs, reports Muirpace.

WHEAT Mnth	Yesterd'ys close	+ or —	BARLEY Yesterd's close	+ or —
Sept	107.50	—0.25	100.40	—
Nov	119.65	—0.20	109.45	—
Jan	114.10	+0.18	112.75	+0.20
Mar	116.75	+0.58	115.15	+0.18
May	110.70	+0.10	117.50	+0.10

Business done—Wheat: Sept 107.50-107.35, Nov 110.65-110.35, Jan 113.85-113.70, March 116.40-119.30, May 119.50-119.40. Sales: 207 lots of 100 tonnes. Barley: Sept 106.40-106.05, Nov 109.25-108.30, Jan untraded, March 114.75 only, May 117.30 only. Sales: 47 lots of 100 tonnes.

HGCA — Locational ex-farm spot prices. Feed barley: S. East 103.50, S. West 105.30, W. Mids 103.10. The UK monetary coefficient for the week beginning Monday July 16 is expected to remain unchanged.

PIGMEAT

Physical prices eased slightly but the spot month on the terminal unexpectedly rallied a little, possibly on dock strike fears. The forward months were easier but volumes remained light, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
Aug	118.2	114.9	115.5-115.0
Oct	119.9	120.0	119.8-119.7
Nov	121.0	121.5	121.0
Feb	118.1	118.2	—
April	118.0	118.0	118.0
June	116.9	116.9	116.8

Sales: 24 (30) lots of 60 carcases 3,250 kilos.

POTATOES

A weak, oversupplied physical market plus the likelihood of rain led to a further heavy fall in futures during the morning. Confidence seemed to return later with levels recovering to close near the day's highs, reports Coley and Harper.

Month	Yesterdays close	Previous close	Business Done
	£ per tonne		
Nov	88.39	94.70	92.50-87.00
Feb	101.90	105.00	101.0-98.00
April	122.90	125.50	125.5-117.0
May	129.80	152.50	129.8-125.0
Nov	77.00	70.00	—

Sales: 1,072 (1,429) lots of 40 tonnes.

RUBBER

PHYSICALS — The London market opened steadier, attracted buying interest throughout the day and closed bullish, reports Lewis and Peat. Closing prices (buyers): spot 70.00p (65.50p); Aug 77.75p (75.50p); Sept 78.75p (76.50p). The Kuala Lumpur August fob price for RSS No 1 was 215.9 (211.5) cents a kg and for SMR 20 202.9 (199.5).

FUTURES — Close (buyer, seller, business). RSS No 1. £ per tonne. Aug 730, 730, nil; Sept 725, 732, nil; Oct 735, 750, nil; Nov 747, 749, 748-735; Dec 750, 758, nil; Jan 760, 770, nil; Feb 774, 780, nil; March 782, 797, nil; April 795, 810, nil; 1984 Oct/Dec 746, 748, 748-745; 1985 Jan/March 775, 780, 775-764; 1985 April/June 800, 810, nil. Sales: 4 (34) lots of 5 tonnes, 20 (43) lots of 15 tonnes.

SOYABEAN MEAL

The market opened unchanged in thin trading conditions, reports T. G. Reddick. Activity centred on February-April spread and then shipper buying interest pushed the market higher.

	Yestday's close	+ or —	Business Done
	£ per tonne		
August	139.80-40.20	+4.50	140.00
October	142.00-42.50	+2.75	142.00-00.50
Dec	146.00-40.00	+2.00	146.00
Feb	154.00-54.50	+1.35	152.00
Apr	154.00-55.00	+1.80	152.50
June	158.50-56.60	+1.35	—
August	158.50-56.00	+0.75	—

Sales: 8 (96) lots of 100 tonnes, 250 (125) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar £94.00 ($123.00), down £5.00 (down $7.00), a tonne for July-August delivery. White sugar $144.00, down $9.50.

The market was again under pressure from whites with Paris touching limit-down in the morning. October fell to $133.40 before recovering by some $2, reports C Czarnikow.

No. 9 Con-tract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug	128.00-28.40	134.60-35.00	134.40-25.80
Oct	135.20-35.40	141.80-42.00	142.20-40.40
Dec	144.00-44.80	150.20-50.80	150.00-42.20
Mar	160.20-60.40	166.60-66.80	160.00-58.00
May	167.00-67.20	172.20-72.40	171.00-66.00
Aug	175.00-75.20	180.60-80.90	174.80-75.00
Oct	184.00-84.00	188.80-89.00	186.60-82.80

Sales: No 6 5,761 (3,824) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £205.00 (£209.50) a tonne for export.

International Sugar Agreement—(U.S cents per pound fob and stowed Caribbean ports). Prices for July 11: Daily once 4.74 (4.82): 15-day average 5.01 (5.06).

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. July 587.5, 568.0, untraded; Oct 572.0, 572.5, 572.0; Dec 575.5, 576.9, 575.5; Mar 585.5, 586.0, 585.5; May 593.0, 594.5, u/t; July 601.9, 80.0, u/t; Oct 585.0, 595.5, u/t; Dec 590.1, 592.0, u/t. Sales: 13.

MEAT/FISH

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 93.39p per kg lw (—5.27). GB—Sheep 150.85p per kg est dcw (—40.77). GB—Pigs 80.21p per kg lw (—2.57).

SMITHFIELD—Pence per pound. Beef—Scotch killed sides 77.9 to 82.0; English forequarters 50.5 to 54.0; Eire hindquarters 88.9 to 91.9. Veal—Dutch hinds and ends 120.0 to 124.5. Lamb—English small 76.9 to 84.0, medium 76.9 to 81.9, heavy 74.0 to 76.0; Imported: New Zealand PL 67.0 to 67.5, PX 60.0 to 60.5. Pork—English under 100 lb 49.0 to 58.9, 100-120 lb 51.0 to 55.9, 120-160 lb 46.0 to 53.0.

COVENT GARDEN—Prices for the bulk of produce, in sterling per package unless otherwise stated: English produce: Apples—Per pound, Bramley 0.16-0.26. Gooseberries—Per pound 0.15-0.18. Cherries—Per pound 0.30-0.35. Strawberries—½-lb 9.14-0.18, ½-lb 9.12-9.25. Raspberries—¼-lb 9.20-0.30. Potatoes—Per bag 56-lb, new 4.50-5.00. Mushrooms—Per pound, open 0.60-0.75, closed 0.80-0.90. Lettuce—Per tray round 0.80-1.00, Cos dozen 1.50-1.80; Webb's 0.90-1.00; Iceberg 12s 4.00, 15s 3.00. Carrots—28-lb new crop 2.20-3.00. Greens—Kent 30-lb 1.20-1.40, Primo 1.50-1.60. Tomatoes—Tray 12-lb 5.60-6.00. Sugar Peas—0.90-1.00. Cucumbers—Tray 2.00-2.80. Cauliflowers—Dozen, Lincs 2.20-2.50. Spring Onions—Bunch 0.10-0.12. Radishes—Bunched 0.14-0.15. Asparagus—Per pound 1.40-2.40. Celery—5.00-6.50. Watercress—Ice Pack 20s 3.40-3.50. Salad—Crisps 18s 1.10-1.10. Courgettes—Per pound 0.20-0.30. Broad Beans—Per pound 0.09-0.10. Peas—Per pound 0.09-0.11. Beetroot—Per bunch 0.20, bags 28-lb 3.50-4.00. Onions—55-lb bag 5.00-5.50. Calibrese—Per pound 0.40-0.50. Capsicums—Per pound 0.35-0.40.

INDICES

FINANCIAL TIMES

July 11	July 10	M'th ago	Year ago
297.65	296.79	306.07	272.76

(Base: July 1 1952=100)

REUTERS

July 12	July 11	M'th ago	Year ago
1918.7	1917.4	1941.7	1647.9

(Base: September 18 1931=100)

MOODY'S

July 10	July 9	M'th ago	Year ago
1029.0	1057.5	1066.1	1054.7

(Base: December 31 1974 = 100)

DOW JONES

Dow Jones	July 11	July 10	Month ago	Year ago
Spot	130.86	138.90	157.40	149.97
Fut	197.44	129.1	137.21	145.70

(Base: December 31 1974 = 100)

COTTON

LIVERPOOL—Spot and shipment sales amounted to 20 tonnes. Restricted operations involved few fresh dealings. Only occasional interest displayed in Turkish and Russian styles.

Boots to create jobs

BOOTS the Chemist is to create up to 145 jobs with a new 50,000 sq ft warehouse and distribution centre at Wellingborough, Northants. The centre, due to open next May, will serve 40 company shops in the East Midlands.

Fire hoax record

FIREMEN in England and Wales were called to a record 78,340 hoax alarms last year, Mr Peter Darby, chief inspector of fire services, said in his annual report yesterday. Very few culprits were successfully prosecuted.

Power for Corby

A £40M RUBBISH burning power plant is to be built in the unemployment blackspot of Corby, Northants, creating 100 jobs. The EEC is donating more than £350,000 to m'et design costs.

AMERICAN MARKETS

NEW YORK, July 12

Precious metals opened lower and rallied on speculative buying at the lower levels but still finished nominally lower, reports Heinold Commodities. Copper prices went against the trend and finished higher on news of serious Peruvian labour problems. Aluminium prices also closed higher on a liquidation and correction of an oversold position. Heating oil prices declined moderately as the trade began to adjust its positions to the announcement that Opec would not raise prices. Cotton prices advanced on reports of Soviet inquiries. Cocoa recovered on reports of a favourable grind in the UK and West Germany with active dealer support apparent. Coffee prices were basically unchanged as roasters supported the nearby months lightly; distant months were lower on expectations of moderation in Brazilian weather. Sugar prices were again lower as buying interest was totally absent. Grains and soyabeans were mostly higher on technical buying which rallied the markets through important resistance levels.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
July	53.15	52.60	52.60	52.25
August	53.50	—	—	52.85
Sept	54.10	54.60	53.55	53.25
Dec	55.75	56.10	55.20	54.85
Jan	56.35	—	—	55.45
March	57.50	—	—	56.80
May	58.65	—	—	57.75
July	59.80	—	—	58.90
Sept	60.95	—	—	60.05
Dec	62.95	—	—	61.65

COCOA 10 tonnes, $/tonnes

	Latest	High	Low	Prev
July	2130	2159	2130	2138
Sept	2220	2236	2197	2181
Dec	2162	2174	2140	2132
March	2141	2154	2125	2124
May	2164	2164	2155	2145
July	2176	2175	2170	2155
Sept	2180	—	—	2165
Dec	2200	—	—	2197

COFFEE "C" 37,000 lbs, cents/lb

	Close	High	Low	Prev
July	147.41	48.00	47.19	47.49
Sept	139.97	40.80	39.35	39.53
Dec	736.99	37.75	36.70	37.06
March	135.80	36.25	35.25	29.05
May	134.05	34.50	34.00	34.26
July	133.05	34.00	33.00	34.25
Sept	132.05	32.25	32.25	33.00
Dec	140.76	—	—	31.50

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
July	58.45	58.35	56.20	57.85
August	58.65	—	—	58.05
Sept	59.30	59.50	59.05	59.70
Dec	61.15	61.30	60.95	60.60
Jan	61.75	—	—	61.25
March	63.00	63.19	62.90	62.50
May	64.35	64.50	64.20	63.85
July	65.65	65.75	65.75	65.15
Sept	66.95	67.10	66.65	66.45
Dec	68.96	66.00	68.80	68.45

COTTON 50,000 lbs, cents/lb

	Close	High	Low	Prev
Oct	72.76	72.85	72.30	72.20
Dec	71.64	71.90	71.35	71.27
March	73.20	73.36	73.00	73.03
May	74.00	74.05	73.65	73.80
Oct	73.40	—	—	73.40

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
August	29.07	29.30	29.07	29.35
Sept	29.36	29.52	29.33	29.61
Oct	29.60	29.70	29.55	29.79
Nov	29.72	29.84	29.70	29.92
Dec	29.88	30.00	29.85	30.05
Jan	29.95	30.08	29.96	30.15
Feb	29.90	29.90	29.80	29.88
March	29.90	29.90	29.90	29.95
April	29.95	29.95	29.95	29.99
May	29.65	29.95	29.85	29.99

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
July	338.0	—	—	341.5
Aug	339.5	344.6	339.0	343.3
Sept	342.9	—	—	346.7
Oct	346.3	351.2	346.5	350.1
Dec	353.3	358.3	353.0	357.2
Feb	360.9	365.0	361.0	364.6
April	378.0	371.0	370.0	372.1
June	385.9	379.0	379.0	380.1
Aug	393.2	388.0	387.4	388.4
Oct	402.7	—	—	397.9
Dec	411.4	404.0	404.0	406.7
Feb	420.3	—	—	414.6
April	429.0	—	—	423.6

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
August	76.40	77.12	76.35	70.98
Sept	77.40	78.10	77.30	77.99
Oct	78.70	79.20	78.61	79.11
Nov	80.00	80.37	79.85	50.36
Dec	81.30	81.60	81.75	81.60
Jan	81.80	82.00	81.80	82.25
Feb	81.60	81.80	81.50	81.85
March	79.25	—	—	79.85

ORANGE JUICE 15,000 lbs, cents/lb

	Close	High	Low	Prev
July	166.80	72.80	69.50	72.40
Sept	156.60	67.50	65.40	66.25
Nov	163.85	65.50	63.60	64.55
Jan	169.85	64.80	63.50	64.50
March	165.00	66.75	65.00	65.00
Sept	165.80	—	—	65.00
Nov	165.00	—	—	65.00

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
July	338.5	344.5	344.6	343.0
Sept	344.5	356.0	353.0	—
Oct	347.5	355.9	348.0	353.9
Jan	358.7	365.0	357.5	362.2
April	366.9	375.0	367.0	371.5
July	376.8	384.0	382.5	381.3
Oct	386.0	—	—	—

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
July	730.5	739.0	730.0	734.2
Aug	733.5	—	—	736.5
Sept	741.0	753.0	738.0	746.0
Dec	763.8	776.0	761.0	768.8
Jan	771.8	782.0	769.0	778.9
March	787.8	796.0	783.0	792.6
May	805.0	811.0	804.0	809.8
July	822.8	830.0	820.0	827.8
Sept	842.1	851.0	843.0	846.9
Dec	873.5	883.9	875.0	878.3

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Sept	4.73	4.78	4.97	4.78
Oct	4.93	5.00	4.88	4.97
Jan	5.43	5.48	5.36	5.45
March	6.04	9.09	5.98	6.00
May	9.35	8.41	9.29	6.36
July	6.66	6.69	6.62	9.67
Sept	6.85	9.93	6.82	8.91
Oct	7.13	7.76	7.07	7.14

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb

	Close	High	Low	Prev
Aug	65.35	65.37	64.72	64.97
Oct	63.87	64.05	63.52	63.62
Dec	64.77	64.95	64.36	64.57
Feb	65.05	65.10	64.56	64.90
April	65.62	65.67	65.30	65.40
June	66.45	66.50	66.10	56.40

LIVE HOGS 30,000 lbs, cents/lb

	Close	High	Low	Prev
July	54.32	54.40	53.77	53.75
Aug	54.15	54.30	53.50	53.45
Oct	51.27	51.40	50.70	50.70
Dec	52.42	52.50	51.80	51.82
Feb	53.70	53.70	53.80	53.15
April	50.05	50.19	49.75	49.62
June	52.90	53.30	52.85	52.80
July	54.22	54.25	53.65	53.65
Aug	52.95	52.95	52.50	52.50

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
July	349.2	352.0	347.9	349.9
Sept	313.4	214.4	311.4	312.9
Dec	292.9	293.2	289.0	289.4
March	301.2	302.2	299.0	300.0
May	307.4	308.9	306.2	307.2
July	309.2	319.4	309.0	309.0

PORK BELLIES 38,000 lbs, cents/lb

	Close	High	Low	Prev
July	57.35	57.00	56.00	56.50
Aug	55.45	55.85	54.29	54.65
Feb	69.80	70.70	68.56	68.45
March	69.30	69.60	68.19	97.95
May	70.70	70.80	69.00	69.32
July	72.30	72.40	70.50	70.85
Aug	70.00	70.00	68.00	68.50

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
July	676.0	677.0	663.0	653.4
August	674.0	676.0	662.0	656.0
Sept	656.2	661.4	646.0	645.0
Nov	643.0	649.0	632.0	634.0
Jan	655.2	661.4	645.4	647.2
March	669.2	676.4	660.0	660.4
May	680.0	689.6	670.0	669.4
July	686.4	691.0	677.0	677.0
August	684.4	689.0	676.0	676.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
July	168.0	156.0	165.9	163.5
August	156.9	170.0	167.6	165.8
Sept	171.3	172.5	170.0	768.6
Oct	171.5	772.0	169.6	769.0
Dec	175.2	176.7	173.0	173.2
Jan	177.5	176.0	176.0	775.3
March	180.0	182.0	779.0	178.0
May	182.5	186.9	782.0	780.5
July	182.5	—	—	181.2

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
July	29.23	29.80	28.66	28.48
August	27.80	27.93	27.05	26.93
Sept	26.67	26.90	25.90	25.90
Oct	25.43	25.70	24.65	24.89
Dec	24.24	24.60	23.62	23.90
Jan	24.19	24.55	23.62	23.93
March	24.28	24.90	23.88	23.96
May	24.45	24.50	24.15	24.20
July	24.50	24.50	24.25	24.25
August	24.45	—	—	24.30

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
July	345.0	347.2	344.9	344.2
Sept	349.4	352.0	349.0	348.4
Dec	363.6	365.0	363.4	362.4
March	372.6	375.4	372.4	371.8
May	375.4	377.6	375.4	374.4
July	360.0	361.4	360.0	358.4

SPOT PRICES—Chicago loose lard 26.00 (27.00) cents per pound. New York tin 571.0-80.9 (570.0-79.0) cents per pound. Handy and Harman silver bullion 735.5 (730.0) cents per troy ounce.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling weak

Sterling lost ground in currency markets yesterday despite the recent two-point rise in UK clearing bank base rates. Firmer rates did give the pound some assistance and it finished above its record low touched recently against the dollar. The market appeared to be far from confident, however, and the prospect of U.S. interest rates possibly moving even higher is never going to be an aid to sentiment improving.

Sterling's index finished firmer at 77.7, up from 77.6 on Wednesday, and having stood at 77.6 at noon and 77.5 in the morning. However, the index was based on rates some way above the day's close and did not reflect sterling's later decline. It closed at $1.3070, down from $1.3140 on Wednesday, and DM 3.7225 compared with DM 3.74. It was also weaker against the Swiss franc at SwFr 3.1475 from SwFr 3.16 and FFr 11.4150 from FFr 11.4650. Against the yen it eased to Y317.25 from Y318.75.

The dollar was a little below the day's highs at the close but was still firmer than Wednesday's levels. It finished at a 10½-year high against the D-mark of DM 2.8480 compared with DM 2.8405 on Wednesday. Fears of continuing strong growth in the U.S. economy and pressure on money supply combined to provide the dollar with a strong base. Euro-dollar rates were hardly changed while Federal funds started trading around 11 per cent.

The dollar finished at SwFr 2.4080 from SwFr 2.4005 against the Swiss franc and Y242.60 compared with Y242.10. It was also firmer against the French franc at FFr 8.7350 from 8.71. On Bank of England figures, the dollar's trade weighted index rose to a record high of 136.8 from 136.5 on Wednesday.

D-MARK — Trading range against the dollar in 1984 is 2.8480 to 2.5535. June average 2.7393. Trade-weighted index 124.5 against 122.9 six months ago.

The D-mark lost ground to the dollar in Frankfurt, after some nervous trading during the period when the Bundesbank council meeting was in session. The U.S. currency retreated slightly during the meeting on speculation that the central bank might increase its Lombard rate. When this was left unchanged at 5.5 per cent the dollar moved higher once again, and was fixed at the highest level since January 23, 1974. The Bundesbank sold $32.1m at the fixing, as the dollar rose to DM 2.8540 from DM 2.8447. Sterling improved to DM 3.7280 from DM 3.7160 at the fixing, but the Swiss franc fell to DM 1.1832 from DM 1.1852. Within the EMS the French franc eased to DM 32.585 per 100 francs from DM 32.59, but the Dutch guilder rose to DM 88.650 per 100 guilders from DM 88.625.

JAPANESE YEN — Trading range against the dollar in 1984 is 242.60 to 223.10. June average 234.0. Trade-weighted index against 157.3 six months ago.

The yen closed little changed against the dollar in Tokyo, with the U.S. currency at Y242.73, compared with Y242.40. The dollar opened at the day's peak of Y243.40 but then weakened on profit taking. There was probably no need for the Bank of Japan to intervene as the dollar was drifting down for the most part. Sentiment remained supportive of the dollar however, and many traders believed yesterday's softer trend to be temporary, reflecting only disappointment among Japanese banks at the dollar's failure to move higher in Tokyo after they had bought the currency in late New York trading. The D-mark was slightly weaker, falling to Y85.09 from Y85.22.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	45.3204	+0.93	+0.87	±1.5447
Danish Krone ...	8.14104	8.16436	+0.29	+0.23	±1.6425
German D-Mark	2.24184	2.23362	−0.37	−0.43	±1.0642
French Franc ...	6.87456	6.85394	−0.30	−0.36	±1.4052
Dutch Guilder ...	2.52595	2.51982	−0.24	−0.30	±1.4964
Irish Punt	0.72569	0.729427	+0.51	+0.45	±1.6699
Italian Lira	1403.49	1371.69	−2.27	−2.27	±4.1505

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ in New York

	July 12	Prev. close
Spot	$1.3065-3075	1.3065-3.750
1 month	0.05-0.01 dis	0.02-0.05 dis
3 months	0.01-0.05 dis	0.06-0.11 dis
12 months	1.70-1.80 dis	1.66-1.70 dis

THE POUND SPOT AND FORWARD

July 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.3065-1.3106	1.3065-1.3075	0.07-0.02c pm	0.41	0.02pm-0.03d	−0.02
Canada	1.7430-1.7485	1.7435-1.7445	0.01-0.13c dis	−0.48	0.36-0.61dis	−1.00
Nethlnd.	4.19½-4.21¾	4.19½-4.20½	2¼-1⅞c pm	0.88	6⅞-5¾ pm	5.65
Belgium	75.42-75.80	75.45-75.55	12-5c pm	1.35	20-30 dis	1.32
Denmark	13.59-13.64½	13.61½-13.62½	1½ore pm-¼ dis	0.39	1⅞-⅝ dis	−0.37
Ireland	1.2140-1.2200	1.2185-1.2195	0.03c pm-0.08 dis	−0.25	0.18-0.34dis	−0.85
W. Ger.	3.71¾-3.74	3.71¾-3.72¾	2¼-1⅞pf pm	6.65	6⅞-5⅞ pm	6.63
Portugal	194.37-201.81	194.65-201.40	10c pm-130 dis	−3.64	par-405 dis	−4.09
Spain	211.00-211.80	211.25-211.45	20-50c dis	−1.99	100-145 dis	−2.32
Italy	2,210-2,294¾	2,287-2,289	4-7 lire dis	−2.88	19-22 dis	−3.58
Norway	10.72-10.77½	10.74-10.75	par-⅞ore dis	−0.48	¼-1⅛ dis	−0.44
France	11.40½-11.46¾	11.41-11.42	1¼-¾c pm	1.18	1¼ pm-par	−0.22
Sweden	10.86-10.89½	10.89¼-10.87¼	⅞-1¼ore dis	−1.38	2¾-3½ dis	−1.16
Japan	313¾-318	316¾-317¾	1⅞-1⅝y pm	6.62	4⅞-4½ pm	6.91
Austria	26.10-26.26	26.11-26.18	12¾-10⅝gro pm	5.25	34¾-30⅞ pm	5.01
Switz.	3.14⅞-3.16⅝	3.14¾-3.15¾	2⅜-1⅝c pm	7.39	6⅞-5½ pm	7.23

OTHER CURRENCIES

July 12	£	$		£ Note Rates
Argentina Peso ...	71.14-71.28	54.37-54.45	Austria	26.00-26.30
Australia Dollar .	1.5765-1.5796	1.2048-1.2065	Belgium	75.75-76.85
Brazil Cruzeiro...	2,316.6-2,328.6	1,770-1,779	Denmark..........	13.55-15.69
Finland Markka...	7,8804-7.8996	6.03¾-6.03¼	France	11.40-11.42⅛
Greek Drachma .	146.60-147.00	111.70-119.20	Germany..........	3.70¾-3.73¾

THE DOLLAR SPOT AND FORWARD

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

EURO-CURRENCY INTEREST RATES (Market closing rates)

[illegible]

Asian $ (closing rates in Singapore): Short-term 11⅜-11⅝ per cent; seven days' 11½-11¾ per cent; one month 11[11/16]-11[13/16] per cent; three months 12⅛-12⅞ per cent; six months 12¾-12⅞ per cent; one year 13⅞-13⅝ per cent. Long-term Eurodollars: two years 14-14¼ per cent; three years 14¾-14⅝ per cent; four years 14¼-14½ per cent; five years 14⅝-14½ per cent nominal closing rate. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

Pause for thought

Yesterday was described by traders as a day for pausing and thinking as far as the contracts traded on the London International Financial Futures Exchange were concerned. Gilts for September delivery opened lower on worries about sterling's continued weakness against the dollar despite the 2 per cent rise in clearing bank base rates, and on the weak close to the U.S. bond market overnight. After opening at 99-00 the contract traded down to a low of 98-16, but then recovered gradually on hopes that base rates of 12 per cent will prove enough to put a firmer base under the pound, while the market also remains reasonably liquid, with traders reporting substantial demand from institutional investors. This took September gilts up to a peak of 99-06 before the contract closed at 99-01, compared with 99.08 previously.

Three-month sterling deposits remained active, also opening weak, and being sold down to a low of 88.44 for September delivery. The weak pound was behind the fall, but the contract recovered when sterling temporarily breached the $1.31 level, to close unchanged at 88.70.

Eurodollars opened steady at 87.44 for the September contract, and after a quiet morning moved up on buying interest in Chicago when Federal funds traded at under 11 per cent. Hopes of a fall in weekly U.S. money supply also underpinned the contract, which peaked at 87.55, before closing at 87.53.

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Sept	87.53	87.55	87.41	87.44
Dec	86.87	86.88	86.71	86.75
March	86.52	86.49	86.34	86.35
June	86.24	86.16	86.16	86.07
Sept	85.99	—	—	85.87

Est. volume 2,918 (2,668)
Previous day's open int. 13,357 (13,057)

THREE-MONTH STERLING DEPOSIT
£250,000 points of 100%

[illegible]

CHICAGO

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	62-04	62-09	61-17	61-29
Dec	61-18	—	—	61-09
March	61-02	—	—	60-26

Est. volume 528 (623)
Previous day's open int. 1,165 (1,260)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
Sept	99.05	99.80	97.50	99.88
Dec	99.05	98.15	97.00	99.90
March	99.20	—	—	100.00

Est. volume 734 (487)
Previous day's open int. 986 (974)

	Latest	High	Low	Prev
Sept	65-16	65-21	65-14	66-09
Dec	64-14	64-17	64-16	64-05
March	63-16	63-24	63-14	64-16
June	—	—	—	62-20
Sept	—	—	—	62-04
Dec	62-00	62-00	62-00	61-24
June	61-16	—	—	61-08

MONEY MARKETS

UK rates edge nervously higher

UK interest rates were slightly firmer overall in nervous trading yesterday. They finished well below the day's highs however. Initial concern on the performance of sterling and technical problems in taking out the shortage of overnight credit combined to push rates firmer. Three-month interbank money opened at 11⅞-12 per cent butw as bid up to 12⅜ per cent before easing back a little later in the day. It was still firmer than Wednesday's range of 11⅞-12⅛ per cent however. Three-month eligible bank bils were bid at 11[11/16] per cent, down slightly from 11¾ per cent previously but in line with Bank of England dealing rates.

UK clearing banks' base lending rate 12 per cent (since July 12-13)

Overnight interbank money ranged between 10 per cent and 13 per cent.

Wednesday's slight upward slant in interest rates was reversed yesterday with one month money now about ⅛ of a point higher than one year money. This reverse curve had been apparent in bill rates on Wednesday and the Bank adjusted some of its dealing rates yesterday in what was seen as an attempt to bring the four band rates more into line with the structure of rates prevailing in the market. Band 2 was cut to 11⅞ per cent from 12 per cent while band 3 was set at 11¾ per cent. The Bank had not dealt in this band on Wednesday afternoon after the rise in base rates.

The Bank forecast a shortage of around £600m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £266m and Exchequer transactions £365m. There was also a rise in the note circulation of £30m. On the other hand banks brought forward balances £45m above target.

To help alleviate the shortage, the Bank offered an early round of assistance and bought £1m of eligible bank bills in band 2 (15-33 days) at 11⅞ per cent and £2m in band (34-63 days) at 11¾ per cent. In band 4 (34-63 days) it bought £41m of eligible bank bills at 11⅝ per cent. The forecast was later revised to a shortage of around £500m before taking into account the early help and the Bank bought a further £217m of bills comprising £2m of eligible bank bills in band 1 (up to 14 days) at 12 per cent and £9m in band 2 at 11⅞ per cent. In band 3 it bought £20m of eligible bank bills at —¾ per cent and in band 4, £66m at 11⅝ per cent. It also arranged sale and repurchase agreement on £120m of bills at 12 per cent, unwinding on July 16.

Additional help in the afternoon comprised purchases of £9m of eligible bank bills in band 2 at 11⅞ per cent and in band 3 £26m of local authority bills and £3m of eligible bank bills all at 11/ per cent.

MONEY RATES

July 12	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	6.50-5.60	11	3½-4½	6⅜-6⅛	6.15625	16¼-16⅝	19.00	10⅞-11¼
One month	5.75-5.90	11⅜ 11¼	4[11/16]-4[13/16]	6[7/16]-6[9/16]	6.15625	16¼-16⅝	11¼-11⅝	12⅝-12⅝
Two months	5.90-6.06	11⅛-11⅝	—	—	—	—	—	18¾-10
Three months	6.00-6.16	11⅜-11[11/16]	4[13/16]-4[15/16]	6⅜-6[11/16]	6.21875	16⅝-17	11⅝-11⅞	13-13¼
Six months	6.30-6.40	11[11/16]-11[15/16]	—	6⅞-7	—	—	11¾-12	13½-13¾
Lombard	6.6	—	—	—	—	—	—	—
Intervention	—	11¼	—	0⅝	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

[illegible]

FT LONDON INTERBANK FIXING

LONDON (INTERBANK FIXING 11.00 a.m. July 12)

Three months U.S. dollars	
bid 12 1/16	offer 12 5/16

Six months U.S. dollars	
bid 12 3/4	offer 127/8

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES — NEW YORK (Lunchtime)

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Clubs

FINANCIAL TIMES
PUBLISHED IN LONDON & FRANKFURT

Head Office: The Financial Times Ltd, Bracken House, 10 Cannon Street, London EC4P 4BY. Telex: (Editorial) 8954871. Telex: (Advertising) 885033. Telephone: 01-248 8000. Frankfurt Office: The Financial Times (Europe) Ltd, Guiollettstrasse 54, D-6000 Frankfurt-am-Main 1, West Germany. Telex: 416193. Telephone: 7598-0. Editorial: Guiollettstrasse 54. Telex: 416052. Telephone: 7598-157.

INTERNATIONAL & BRITISH EDITORIAL, ADVERTISEMENT & CIRCULATION OFFICES

Amsterdam: Editorial and Circulation Singel 512, NL-1017 AX Amsterdam. Telex: 16527. Editorial Tel: 020-276 796. Circulation Tel: 020-239 430.

Birmingham: Editorial and Advertising George House, George Road, Edgbaston, Birmingham B15 1PG. Telex: 338 650. Tel: 021-454 0922.

Bonn: Editorial Heussallee 2-10, Pressehaus II/104, D-5300 Bonn. Telex: 8869 542. Tel: 02221-210039.

Brussels: Editorial, Advertising and Circulation Rue Ducale 39 Hertogstraat, B-1000 Bruxelles. Editorial Telex: 23283. Tel: 02-512 9037. Advertising and Circulation Telex: 64219. Tel: 02-513 2816.

Madrid: Editorial Espronceda 32, Madrid 3. Telex: c/o Reuters (London 24145). Tel: 91-441 6772.

Manchester: Editorial and Advertising Queen's House, Queen Street, Manchester M2 5HT. Telex: 666 813. Tel: 061-834 9381.

Mexico City: Editorial Calle Diamante 54-500, Col. Juarez, Mexico 6DF 06600. Telex: c/o Reuters (London 24145). Tel: 592 5822.

Milan: Editorial Piazza Cavour 2, Milan. Tel: 02-706 188/781 075.

New Delhi: Editorial 3 Sardar Patel Marg, Chana Kyapuri, New Delhi 110021. Telex: 81315590. Tel: 011-374 308/011-376 484.

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$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The Table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, July 11, 1984. The Exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for particular transactions. Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., E.M.E.A. London
Eurodollar Libor as of July 11 at 11.00 a.m.
3 months: 12¼ 6 months: 12⅞

ECU=$US.785105 SDR1=$US1.01975
Sibor as of July 11 at 11.00 a.m.
3 months: 12¼ 6 months: 12⅞

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (O)	50.60	Grenada	E. Caribbean $	2.70	Paraguay	Guarani (D)	240.00
Albania	Lek	7.727 6	Guadaloupe	Franc	8.725		Guarani (d)	695.50
Algeria	Dinar	4.962	Guam	U.S. $	1.00	Peru	Sol	3414.48
Andorra	Fr. Franc	8.725	Guatemala	Quetzal	1.00	Philippines	Peso (5)	18.06
	Sp. Peseta	161.43	Guinea Bissau	Peso	82.4264	Pitcairn Is.	N.Z. Dollar	1.6175

[illegible]

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for July 12.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alaska Housing 11¾ 94	100	87⅞	88⅝	−0¼	−0⅛	14.04
All Nippon Airways 14 94	100	102	102½	0	+0⅛	13.58
American Savings 12 89	125	97⅛	97⅝	0	−0⅜	12.73
American Sav 12¼ 89	100	97⅛	97⅝	−0¼	−0⅜	12.99
Australian Ind Dev 11 89	75	†89⅝	91⅛	+0¼	−0½	13.73
Austria Rep 13⅜ 92	100	98	98½	−0⅛	+0⅛	14.00
Beneficial O/S Fin 12 91	100	†88¼	88⅝	+0⅛	0	14.61
Citicorp O/S 11¾ 99	100	†93⅝	93⅞	+0⅛	+1⅜	12.71
C.N.C.A. 13¼ 91	100	†99⅝	00⅛	+0⅛	0	14.21
Coastal Int 12¾ 88	125	95	95½	0	−0¼	13.88
Creditanstalt 13⅛ 91	100	98	98½	0	+0⅛	13.51
D.N.C. 11⅜ 91 WW	50	†37½	88	−0⅝	−1	14.74
D.N.C. 11⅜ 01 XW	50	†87	87⅛	−0½	−0½	14.88
Denmark Kingdom 12 91	100	89¾	90¼	−0⅛	+0⅛	14.39
Denmark Kingdom 13 91	100	95	95½	−0⅛	0	14.10
Digital Equip 11¾ 89	150	92⅝	93⅛	0	−0¼	13.87
Dutch Mines 11⅜ 91	150	†88⅝	89⅛	0	−0⅛	14.01
E.D.C. 11⅛ 89	150	91⅛	91⅞	+0⅛	+0¼	13.65
E.I.B. 12½ 89	100	94⅞	95⅜	−0⅛	−0¼	13.74
E.I.B. 12⅝ 94	100	95	95½	−0½	−0⅛	13.76
Eurofima 12½ 91	100	94⅛	94⅝	+0¼	−0⅜	13.88
Ex-Im Bk Japan 13¼ 91	75	101¼	101¾	−0⅛	−0⅛	12.98
Florida Fed Sav 12⅝ 89	100	95¼	95¾	−0¼	−0¾	13.71
Gen Elec Credit 0 99	600	24½	25	0	0	12.35
Gen Elec Credit 11 01 WW	200	92⅝	93⅛	+0⅛	0	12.62
Genossen Zentral 14 91	100	98⅞	99⅜	0	+0½	14.20
Gulf & Western 12⅛ 89	100	91⅝	92½	−0¼	−0¼	14.68
I.I.I. 12 00	100	93½	94	0	0	13.84
Indust Bk Japan 11⅛ 89	125	91¾	92¼	0	−0¼	13.90
Indust Bk Japan 13⅞ 91	125	99⅞	100⅜	0	−0⅛	13.84
Int Paper O/S Fin 12 91	75	95⅞	96⅜	−0¼	0	12.86
Japan Air Lines 12⅛ 94	70	93⅝	94½	−0⅛	−0¼	13.13
L.T.C.B. 11⅞ 89	100	91⅝	92⅛	0	−0⅜	14.31
Macy O/S 11¾ 91	100	91¼	91¾	0	+0⅛	13.76
Mitsui Trust Fin 12 91	100	90⅛	90⅝	0	0	14.31
Montreal City 12½ 91	70	94	94½	0	−0¼	13.83
Morgan Guaranty 12¼ 89	150	93	93½	0	0	14.25
Nat Gasunie 11¼ 91	75	†90	90½	−0¼	+0⅜	13.52
Newfoundland Prov 13 91	75	100½	101	−0⅛	−1⅛	12.88
Nippon Tele 11⅜ 89	100	94¼	94⅝	−0⅛	0	12.88
Nova Scotia Pro 11¾ 91	100	89⅝	90⅛	0	−0¼	14.14
Ontario Hydro 11⅝ 94	300	88⅝	89⅛	+0⅛	+0⅛	13.75
Quebec Hydro 11⅛ 92	100	†90¼	90⅝	0	0	13.42
Quebec Province 12⅛ 94	150	92½	93	+0⅛	+0⅜	13.61
Rockefeller Grp 13⅛ 88	100	101⅛	101⅝	−0⅛	+0¼	12.81
Royal Bk of Can 11½ 88	100	89¾	90¼	0	−0⅛	14.58
Rural & Ind Bk 12 01	50	†91¼	91⅝	−0¼	−0⅜	14.84
Sears O/S Fin 11⅛ 91	150	91¼	91¾	+0⅛	+0¼	13.62
Sec Pac O/S Fin 11⅝ 89	75	†85½	88	−0⅛	0	15.14
Sec Pac O/S Fin 12 92	100	90½	91	+0⅛	+0⅜	14.01
S.E.K. 11½ 89	100	91⅛	91⅝	−1⅛	−0¾	14.14
Shearson/Amex 12⅛ 94	100	90½	91	+0⅛	+0⅜	13.89
Statoil 12 89	100	95⅝	96⅛	0	+0¼	13.42
Sumitomo Fin 12¾ 91	150	93	93½	−0⅛	+0⅛	14.34
Sweden Kingdom 12⅜ 89	200	94⅛	95	−0⅜	−0⅛	13.91
Texas Insts Int 11⅞ 91	150	90⅝	98⅝	0	−0⅛	14.09
Tokai Asia 12¼ 91	100	†91¼	91¾	0	−0⅛	14.28
World Bank 11⅛ 89	200	92¼	92¾	0	−0⅛	13.68
Yasuda Tst&Fin 12⅞ 89	100	93	93½	−0⅛	−0½	14.30

Average price change On day 0 on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Allied Chemical 7½ 94	125	99⅝	100⅝	0	+0⅛	7.48
Amca Int'l 8¼ 91	100	99¼	100	−0⅛	−0¼	8.39
A.N.A.S. 8⅛ 91	150	99⅝	100⅝	−0¼	−0½	8.48
Austria, Republic 7⅞ 94	200	96⅝	96⅞	−0⅛	−0⅛	8.13
Baxter Travenol 7¾ 94	200	97	97¾	−0¼	−0¼	7.84
Credit National 8⅛ 94	200	98⅛	98⅝	−0⅛	−0⅜	8.37
Degussa Int Fin 7½ 94	100	99	99¾	−0⅛	−0⅝	7.58
E.E.C. 8 92	200	99⅛	99⅝	−0⅛	−0⅛	8.08
E.I.B. 8 91	250	98⅛	98⅝	−0⅛	−1	8.27
Escom 8 92	150	98⅛	99	−0⅛	−0⅛	8.21
Ferrovie Dello Stato 8 91	100	99½	99⅝	−0⅛	−0¼	8.11
Finland Rep 7½ 91	150	96⅝	97⅜	−0⅛	−0¼	7.95
Gould Int Fin 7⅝ 91	100	98	98⅛	−0⅛	−0¼	7.96
Int Standard Ele 7⅛ 90	100	100⅛	100⅝	−0⅛	−0⅜	7.20
Ireland 8⅛ 92	150	97½	98	−0⅛	−0½	8.52
Mogal Fin 8¼ 94	150	99⅛	100⅛	0	−0⅛	8.28
Mitsubishi Hvy 3½ 89WW	300	97⅝	98⅝	−1⅛	−1¼	3.97
Mitsubishi Hvy 3½ 89XW	300	86⅝	87¼	−0⅛	−0⅛	6.84
O.K.B. 7½ 88	100	99	99¾	0	+0⅛	7.65
Pepsico O/S Fin 7¼ 94	250	99⅛	99¾	0	−0⅛	7.32
Reynolds O/S Fin 7⅝ 94	125	99¾	100½	−0⅛	−0⅛	7.47
Societe Cent Nuclear 8 91	100	97¼	97¾	0	−0⅛	8.40
Sth Africa Rep 8½ 91	200	99⅝	100⅝	+0⅛	−0⅛	8.44
World Bank 7¾ 89	100	99⅝	100⅛	−0⅛	−0⅜	7.80
World Bank 0 93	300	98⅛	98⅝	0	0	8.22
World Bank 0 94	200	98½	98⅝	−0½	−0⅛	8.16

Average price change On day −0⅛ on week −0⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia Comm 5½ 98	80	†99	99¼	−0¼	−0⅛	6.22
Canada 5¼ 92	200	†98½	98¾	−0⅛	0	5.47
Consol Foods 5¾ 94	200	†101	101⅛	−0½	0	5.60
Consol Press 6⅛ 94	200	†99¾	100¼	−0⅛	−0⅛	5.25
FGH 5¾ 92	110	†97½	97¾	−0⅛	+0¼	6.14
G.O.Int 6¾ 92	70	†99	99¼	−0⅛	−0⅛	6.98
Int-Am Dev Bk 6 98	100	†99	99½	+0¼	−0⅛	6.00
Int-Am Dev Bk 6⅛ 94	120	†99¼	99½	−0¼	−0¼	6.34
Japan Fin Corp 5½ 94	100	†98	95⅞	0	−2	5.75
Japan Highway 5⅝ 92	150	†97	97¼	−0¼	0	6.04
Kansai Elec Power 6⅛ 92	100	†102½	103¼	−0½	−0¼	5.78
Kyushu Elec Power 5⅝ 92	100	†100¾	101	+0⅛	0	5.48
Lawrie Int Fin 6⅛ 94	100	†101	101¼	−0½	0	6.21
Malaysia 6⅛ 92	80	†97½	97¾	0	−0⅛	6.98
Manitoba Prov 5¾ 94	100	†101	101½	−0⅛	−0⅜	5.58
Mitsui Fin Asia 5⅞ 94	50	†98	98¼	0	0	6.13
Mount Isa Fin 5¾ 94	100	†97¾	99	0	−0¼	6.04
New Brunswick 5⅝ 94	100	†99½	99¾	−0⅛	+0½	6.67
Spain Kingdom 6¼ 92	100	†101¾	102	−0¼	+0⅛	5.84

	Issued	Bid	Offer	Change on day	Change on week	Yield
Stanford 8 82	75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden Kingdom 5¾ 84	125	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tauernkraftwerke 5¾ 94	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tobu Railway 4 92 WW	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tobu Railway 4 92 XW	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Transcanada Pipe 5½ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change On day [illegible] on week [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change On day [illegible] on week [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change On day [illegible] on week [illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = current coupon. C.yld = current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

CAPITAL MARKETS

Austrian bank issues bond with warrants

BY MAGGIE URRY IN LONDON

CREDITANSTALT-BANKVEREIN, the big Austrian bank which is 60 per cent government owned, yesterday launched a bond with warrants deal, with the same structure as the recent Commerzbank issue.

The $100m four-year bond has a 14 per cent coupon, while the warrants allow investors to buy a bond with the same coupon maturing in 1991, at par during the life of the four-year bond.

The package is priced at 102, and yesterday traded at a discount of around 1⅜ points. As with the Commerzbank deal, the warrants proved more popular than the bonds and traded separately at around 27, while the bonds changed hands around 97¾.

Morgan Stanley led the issue, with seven co-leads. Total fees were 1⅞ per cent.

Morgan Grenfell has priced the $50m convertible for Moët-Hennessy at par with a coupon of 7 per cent – the bottom of the indicated 7-7½ per cent range. The conversion premium was set at an 11 per cent premium to the share price at the time of pricing.

The Eurodollar bond secondary market was very quiet with prices unchanged. Investor interest is lacking, and the supply of paper is still a burden.

The stronger U.S. dollar, and the weaker New York bond market, again depressed the D-Mark and the Swiss franc sectors. In both markets seasoned bond prices were down by about ¼ point.

Credit Suisse priced the SwFr 20m issue for Kinugawa Rubber to yield 2⅝ per cent. There is a put option in March 1987 at 105.5, to give a yield of 4.31 per cent. The conversion premium is nearly 2 per cent.

BHF Bank bond average		
July 11 99.835		Previous 98.855
High 100.009	1984	Low 98.058

WEEKLY U.S. BOND YIELDS (%)

	July 11	July 3	1984 High	1984 Low
Composite Corp. AA	13.90	14.20	14.23	12.19
Government:				
Long-term	13.31	13.59	13.89	11.51
Intermediate	13.35	13.60	13.79	11.33
Short-term	13.02	13.12	13.22	10.70
Municipal	10.57	10.69	11.14	9.48
Industrials AAA	13.26	13.56	13.66	11.79
Industrials AA	13.72	14.13	14.13	12.02
Utilities AA	14.09	14.26	14.45	12.33
Preferred Stocks	12.17	12.12	12.17	11.07

Source: Standard & Poor's

OVER-THE-COUNTER

Continued from Page 36

Stock	Sales (Hnds)	High	Low	Last	Chng
Prism	97	7⅛	7⅛	7⅛	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Syntrtg	144	10	9½	10	+¼
Systmt s .03	1162	13¼	13	13¼	
SCT Cp	365	25	24½	24½	−⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Pan-Holding
societe anonyme
Luxembourg

The unconsolidated net asset value as of June 30, 1984, amounted to US$220.02 per share of US$50 par value. This value was before payment on July 2nd, 1984, of a dividend of US$4.50 per share. The consolidated net asset value per share amounted as of June 30, 1984, to US$223.79.

FINANCIAL TIMES SURVEY

Executive Cars

Competition between the volume makers and the more specialist producers is intensifying. In the shadow of the far-reaching German metalworkers' strike, European manufacturers face increasing problems, with Japanese sales rising in a static market

By JOHN GRIFFITHS

EUROPE'S MOTOR industry might have made a small recovery last year; but almost everywhere it now looks as if it is faced with uncertainty and a climate of intensifying competition. The competition comes both from within and, in particular, from Japan.

In no sector is the uncertainty greater than that of executive cars, traditionally a source of high profit per unit. They have been the means by which many manufacturers have been able to recoup some of the huge investments they need to stay internationally competitive—and which are involving the European industry in capital spending of about $80bn up to 1989 on new models and production facilities.

Increasingly, executive cars—models currently exemplified by the Ford Granada, Rover, Vauxhall Carlton and upwards—are becoming the focus of the rivalry to introduce new and ever more advanced forms of highly expensive technology. Four-wheel-drive, complex on-board computer systems, computer-modulated suspensions, "thinking" gearboxes — such innovations are appearing at an ever faster rate to tempt more affluent buyers.

In some countries—such as West Germany and the U.S.—market demand in the sector has expanded (it was up 20 per cent in West Germany last year) to help manufacturers improve returns from their investments in such products. Overall, however, forecasters such as DRI Europe see at best marginal growth in total European demand for such cars until after 1986 at earliest.

So far, the more specialised manufacturers of executive cars such as Mercedes and BMW have been most successful in the sector. Not only have their sales and output increased with monotonous regularity in defiance of recessions, they have been successful in retaining profits, not least having clearly developed "premium" images, and by sharply discouraging dealer discounting—hence protecting residual values.

But the volume manufacturers have been eyeing their success with mounting envy, and preparing to tackle the specialists more seriously on their home ground. The result is a proliferation of new models, from both sides.

Criteria

This new model rivalry, however, is taking place in a climate of environmental, legislative and fuel efficiency pressures which in engineering terms have been bringing a marked degree of convergence in fundamental car design. It is virtually inevitable, for example, that engineers, seeking maximum aerodynamic efficiency are going to come up with very similar answers.

But, as Mr Mark Snowdon, managing director of the UK's Austin Rover pointed out at a recent Geneva conference, increasing affluence is encouraging consumers to seek a greater degree of individuality—" and the car is a major factor."

The effect can be expected to be two-fold:

To pressure the volume manufacturers increasingly to seek more distinctive images for their own executive car products—and in turn, to step up the pressure on the specialists to maintain their own cars' distinctiveness.

In the light of this intensified competition, it is difficult to envisage profit margins not becoming compressed. Indeed, this is already happening, with new car prices throughout Europe increasing at well under the rate of inflation.

Adding to the uncertainty is the proposal by the EEC Commission to "harmonise" EEC prices next year, by allowing a maximum 12 per cent price variation between member states. It is bitterly opposed by manufacturers, who argue that the current variation in pre-tax prices—mainly because of exchange rates at UK prices are up to 40 per cent higher than in some states such as Belgium—reflects the lack of any coherent economic policy as a whole for the Community, and that it is unfair to impose one on the car industry.

If it is imposed, manufacturers regard it as inevitable that a balance will be struck close to the cheapest market prices. And that, says Dr Krish Bhaskar, head of accounting and finance at University of East Anglia and well known for his computer models of the motor industry, would be a "disaster" for manufacturers, few of whom are making profits. It could close half the car-making capacity in Europe, he calculates.

Added to these problems is the plan announced by the West German government to require lead-free fuel to be used from January 1, 1986. There now seems little prospect of the industry getting it to change its mind, and if adopted EEC-wide would present the industry with another highly expensive set of problems.

To add to the pressures Japanese manufacturers, constrained by import quotas and other restrictions, are seeking to maximise their own profits per unit by taking their cars up-market. The recent result has been a spate of highly innovative Japanese new car models. These include Nissan's 300ZX turbo sports coupe, for example, which for the first time takes a Japanese manufacturer into the 150 mph "supercar" market traditionally dominated by the likes of Jaguar, Porsche and Ferrari.

In these circumstances, the strike in pursuit of a 35-hour week by West German metalworkers, which has quickly brought much of the West German vehicle industry to a halt, is a particularly savage blow.

The effects, however, are not confined to West German producers. The tactic of IG Metall, the metalworkers' union, was to choke off supplies of strategic components, used by manufacturers throughout Europe.

Robert Bosch, the DM 14bn ($5.2bn) a year turnover components giant which specialises in making fuel injection equipment; ZF, the gearbox manufacturer; and Mahle, which makes the pistons for most European high-performance cars as well as those for grand prix engines, were among the first to be hit.

Within days, the major plants of BMW and Daimler-Benz were slowing to a halt. Ironically, Daimler-Benz' new Mercedes car plant at Bremen was being shown to the Press at the time the strike began, while BMW had only just laid the foundation stone for a new plant at Regensburg which should start making 100 cars a day from 1986.

Mercedes had set a target of producing over 500,000 cars this year for the first time—after 476,180 last year—while BMW hoped to squeeze out a few more than last year's 421,000 units. By last week, with no settlement in sight, they were each losing output of about 2,000 cars a day.

Ford's Cologne plant, producing Capris and Granadas, went down; much of Volkswagen/Audi's output was halted; then followed General Motors' huge assembly plant at Antwerp in Belgium.

Volvo and Saab have been shuffling production schedules, putting models in need of missing fuel injection components to one side.

Without a settlement in the next two weeks, hardly a manufacturer in Europe will escape being affected. Even Austin Rover, although relatively sanguine about supplies of VW gearboxes for Montegos and Maestros—last week, the plant was still producing—will not be able to continue making its MG Montego. For although it uses Lucas fuel injection, it has Mahle pistons.

The problem with such components is that they are developed with the engine itself, and cannot be readily sourced from elsewhere.

What the strike has done is underline the increased vulnerability of manufacturers to component shortages as a result of opting for single sourcing and sharp cuts in inventory levels —two major ways in which they have sought to become more competitive with the Japanese industry.

Despite the strike, no one in the industry believes that the sourcing and inventory strategies will be reversed. "The economic case for them is so overwhelming that there is no going back," according to a spokesman for BL. "They have become an irreversible fact of life."

Even if a settlement is forthcoming quickly, the strike has already done much damage: some 57 per cent of West Germany's vehicle production is exported. A large proportion is to the U.S., a market made particularly profitable by current exchange rates. But North Americans are notoriously impatient customers, and the European executive car specialists have always made a point of having stocks for immediate sale.

Replaced

That situation is inevitably going to be undermined at a time when Japan's pitch at the North American executive market has never been stronger.

Some indication of the mounting challenge in the executive car field from within Europe is provided by some of the latest model launches from the volume manufacturers.

Renault, the car market leader in Europe last year—but which has lost its crown first to GM and most recently to Ford —ended its long hiatus from having a competitive mainstream executive car by launching the 25—a car incorporating sophisticated engineering and laying claim to the title of world's most aerodynamically efficient saloon.

Fiat, in the form of its Lancia subsidiary, has launched several developed versions of existing cars such as the HPE coupe fitted with superchargers, and at the end of this year will launch the Thema, its long-awaited new challenger in the large executive saloon market.

Audi, which increasingly is aiming to be seen as a premium quality innovator for the Volkswagen group, and seeking a similar image to BMW, will be offering four-wheel-drive on all its models; has launched one of the fastest production saloons in the world—the 143 mph 200T Turbo—and is expected later this year to produce a more sophisticated updating of its smallest 80 model.

Perhaps most significantly, Ford early next year will launch its replacement for the Granada—a car reportedly offering a highly advanced specification and including the option of four-wheel-drive.

The more specialised manufacturers are hitting back, however. BMW has a number of even higher performance models in the pipeline which rely heavily also on advanced electronics. They should need only 40 per cent of the servicing of 1982 cars.

These cars are being introduced with all the advantages that the volume manufacturers possess in terms of economies of scale in component supplies.

But the ground rules of manufacturing, thanks to flexible production systems, have changed substantially from the late 1970s when it was thought that only producers of more than 2m cars a year would survive.

The flexible manufacturing systems allow the smaller makers to run a mix of models down the same lines, and to introduce new ones without major investment in specific production facilities.

The other effective route which some have also chosen for survival lies through collaboration. There is no better example of this than the new model just unveiled by Saab.

The 9000 is Saab's first new model for 17 years. Yet underneath its skin it has been developed jointly with Lancia—although it shares few actual components with the Italian manufacturer's version.

Its "Type Four" floor platform is being shared, not just by Lancia, but by Fiat, which is using it for the Argenta replacement later this year, and by Alfa Romeo for the successor to the Alfetta.

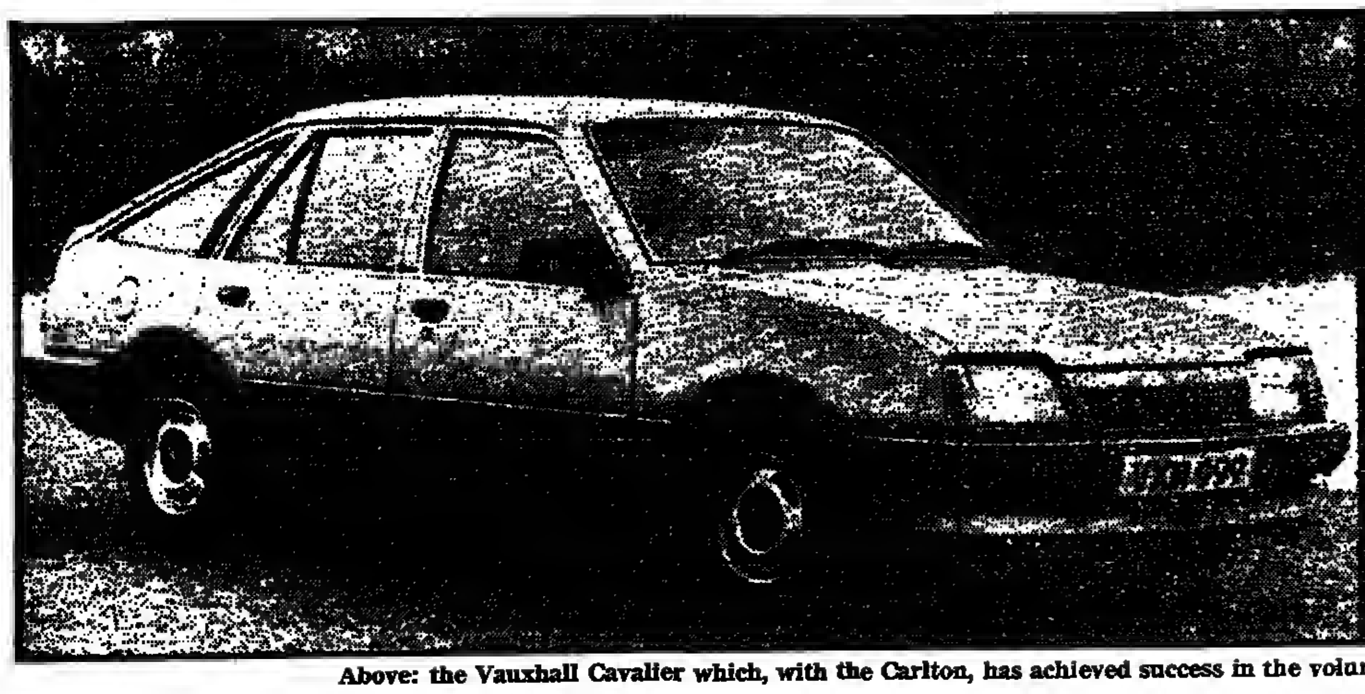
Saab says the collaboration has slashed the investment required to produce the car, and is allowing it to be brought to the market a year earlier than otherwise would have been possible.

Editorial production: Michael Strutt; layout: Phil Hunt

EXECUTIVE CAR DEMAND IN EUROPE'S PRINCIPAL MARKETS (000s)

	1983	1984	1985	1986
West Germany	681	666	699	655
UK	184	183	189	196
France	219	219	222	239
Italy	137	146	151	151
Total	1,221	1,214	1,261	1,241

Forecast: DRI Europe



Above: the Vauxhall Cavalier which, with the Carlton, has achieved success in the volume market. Right: the new Saab 9000 which goes on sale in the UK later this year

Cut-throat marketing tactics behind UK boom

Heavy discounting and financial incentives to dealers shed a different light on brisk sales, as **John Griffiths** reports

THE UK new car market last year reached a record 1.79m units. And with sales still forging ahead after five months of 1984, the Society of Motor Manufacturers and Traders in the past few weeks has changed its mind about the shrinkage it predicted at the start of this year—and issued a new forecast saying that last year's record will be at least matched.

But behind the apparent boom in unit terms lies an altogether different picture: of cut-throat marketing tactics, heavy discounting and financial incentives to dealers—some of whom have been "moving the metal" at virtually dealer cost and relying on manufacturers' bonuses for a small margin of profit.

For a time, earlier this year, there were thoughts that the price wars might abate: Mr Sam Toy, Ford UK's chairman, had publicly declared last September that the whole scene had become ridiculous and that Ford, as market leader, was declaring a unilateral truce.

Austin Rover and Vauxhall, Ford's main rivals, publicly lauded the move—and carried on offering incentives, hinting that Ford was finding more discreet ways of doing effectively the same thing.

At the time, one much-respected motor industry economist suggested that Mr Toy was rather resembling King Canute, and that there was no way the tide could be held back for long.

It rolled back in May, when Ford formally announced that its rivals' action meant it had to resume incentives.

The fiercest of the battles have been in the small and medium car sectors, in particular for upper-medium saloons, where the Sierra and Cavalier were slugging it out toe to toe until the end of April when Austin Rover's Montego joined the fray.

Criteria

But it has been little less fierce in the executive sector, where rather more manufacturers are pitching for the same slice of the market.

How big the slice is depends on what criteria are used to define executive sector. Forecasters DRI Europe use as a base line cars such as the Vauxhall Carlton and Ford Granada upwards, and on that basis concludes that this year they will account for about 11 per cent of total sales, or about 183,000 units. That is slightly higher than the 182,000 of 1980, and represents a slight fall on last year's 184,000 — though it has recovered substantially from the 170,000 recorded in the trough of the recession in 1981.

The experience of the past few years has been that, despite the marketing muscle of the volume producers, it has tended to be the more specialised producers such as BMW, Mercedes, Volvo and Saab which have fared best in the struggle — not just in terms of increasing sales compared with the market overall, but in selling their cars profitably.

The notable exception is Vauxhall. Its executive cars, spearheaded by the Carlton, have leaped ahead, helped by the substantial success its Cavalier and Astra models have achieved in the volume market. Carlton sales last year shot upwards, from a mere 2,640 in 1982 to more than 17,000 — a trend which has continued into the current year. Sales of the Manta sporting coupe jumped from 1,580 to 8,680 in the same period; the top of the range Opel Senator saloon from 450 to 2,040 and its sports coupe equivalent, the Monza, from 170 to 790.

All the models, like Ford's Granada and Austin Rover's SD1 2-3.5 litre Rover saloon, date back to the mid and late 1970s but substantial exterior and interior styling changes have helped give the Vauxhall and Opel models a new lease of life.

The sales figures for the Granada and Rovers tell a strikingly different story. Sales of the Granada, once the undisputed market leader, fell back to 24,080 from 28,590; those of the Rovers to 21,590 from 24,420, despite the overall growth of executive car sales.

All three makers, however, were embroiled to a greater or lesser degree in incentives to shift the models.

In the same period, BMW sales climbed to 25,180 from 22,980; those of Volvo, feeling the benefits of its new 760 series cars, rose to 24,490 from 21,290 (excluding the small 300 series cars); while Mercedes, even with its new 190 saloon yet to arrive, saw sales rise to 13,110 from 11,790.

The weakest performer among the more specialised producers was Saab, whose first all-new model for nearly 20 years, the 9000, will not go on sale until the end of this year. Even then, Saab still managed a marginal sales increase, to 9,490 cars.

All the specialists have adopted strategies similar to those being pursued by Mr Paul Layzell, who succeeded Dr Walter Hasselkus as managing director of BMW (GB) at the start of this year. Mr Layzell says that, like his predecessor, he is steering BMW's 147 dealers well away from offering incentives, which he describes as having become "the standard menu for the day" among volume manufacturers.

Profitable

His concern in doing so is to protect residual values, potentially the biggest single cost in running a car.

Inevitably, this has meant that BMW's dealers have also remained very profitable: on average they have been retaining a margin of almost 13 per cent. And while the smallest and cheapest 3 series cars now account for nearly 60 per cent of all BMW's UK sales, the UK importer says it has been careful to ensure that they do not come to be regarded as a fleet model in the same sense as those produced by the volume manufacturers.

BMW, Volvo and Mercedes are in a very different supply situation from the volume manufacturers, however. BMW and Mercedes in particular have been very much restrained by production capacity, and have been waiting for new plants to begin production and lift output.

Mr Layzell had already warned his dealers at the start of this year that the remarkable expansion of sales since 1980 (when 13,000 units were sold) would have to slow sharply this year because of supply constraints, and that they were likely to stay at a plateau of about 26,500 until 1986 at least, when output from BMW's new Regensburg plant would be in full flow.

What he did not bargain for then was the West German metalworkers' strike, which is costing BMW 2,000 cars a day and which leaves the company with little hope now of hitting the start-of-year target.

The volume manufacturers have been much more concerned with utilising under-employed capacity, and this has been reflected in discounting practices.

But for several, too, falling sales have reflected the age of model ranges—a situation which is now changing, and will change even more rapidly over the next 12 to 18 months.

Replaced

Renault, for example, has been one of the bigger casualties in the UK executive car market, and up to the end of last year had seen a steady decline in sales of its 20 and 30 models. This spring, they were replaced by a new model, the 25, which can now lay claim to be the most aerodynamically efficient saloon in the world, with a drag coefficient of 0.28.

Lancia, now being marketed in the UK by Lancar, part of Mr Gerald Ronson's Heron empire, similarly endured a worsening situation last year, sales dropping to 3,460 from 5,170—a trend which has continued into 1984 despite the introduction of various new versions of the existing Lancia range.

At the end of the year, however, Lancar will be preparing for the arrival of the Thema, a major executive car new almost from the wheels up, on which Lancar is likely to depend heavily for improving its fortunes.

Similarly, Alfa Romeo can expect an Alfetta replacement, and new models are expected from several other manufacturers.

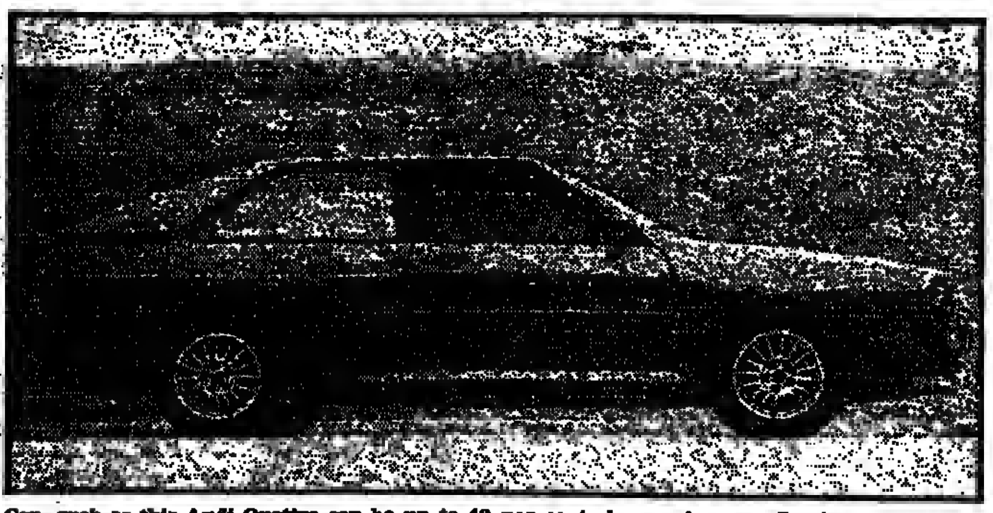
Most importantly, Ford early next year should launch its long-awaited replacement for the Granada, rumoured to be called the Lugano. "Spy" pictures show it to have a family resemblance to the Sierra, including the Sierra's semi-hatchback rear. Towards the end of next year, Austin Rover will also be joining the fray with its "XX" executive car developed jointly with Honda.

Meanwhile, Audi, Volkswagen's up-market sister company, is also making a harder pitch at the executive car market—sales of its 100 saloon have doubled since a new version was launched in the UK last year.

The competition is being heightened also by the introduction of new models from Japanese importers who, constrained in unit sales by quotas, are looking increasingly to the executive sector for higher profit per unit. Thus in the past two months Nissan has launched its new 300 ZX sports coupes—one of which is Nissan's first 150 mph car—and a 130 mph coupe, the Silvia, aimed at the £9,000 sector.

Taken together, these developments mean that the UK executive car market is on the verge of becoming even more competitive than for many years past.

EXECUTIVE CARS 3



Cars such as this Audi Quattro can be up to 40 per cent cheaper in some Continental markets such as Belgium than in the UK, though the differential depends on exchange rate fluctuations. Europe's manufacturers are fighting EEC plans to "harmonise" prices next year

Decision on parallel imports still awaited

ABOUT A YEAR ago the Society of Motor Manufacturers and Traders (SMMT) reluctantly agreed to try a code of practice intended to ease some of the problems created by the unofficial import to Britain of cars from other Common Market countries.

The code was supposed to have a six-month trial but, like so many projects where government departments are concerned, a year has passed and an official verdict on the new system has still to be given.

The code was not designed to open up a flood of "grey" imports to Britain but would have helped and British fleet manager interested in buying his executive cars elsewhere in the EEC.

To register (and therefore insure) a car in the UK a fleet buyer must have a certificate stating that the vehicle meets British safety and technical standards. Some official import companies and UK manufacturers have been reluctant, to say the least, to issue these certificates.

The proposed new coda insists that a certificate called in the trade's jargon a sub-mac certificate—must be provided to anyone who asks for one.

The snag, so far as the fleet manager is concerned, is that the manufacturer or importer is almost duty bound to inspect the car (or cars) to make sure it meets the required standards before issuing the certificate. If changes to the car are necessary before the certificate can be issued, the Department of Transport has warned, "there could be a substantial charge."

There was to be no immediate change to the system where an individual importing his own car—previously used in an EEC country—escapes the requirement to produce a sub-mac certificate before the car can be registered and legally put on British roads.

When he introduced the proposed code, the then Secretary for Transport, Mr David Howell, made it clear that his main concern was that unofficial imports might constitute a danger to road users.

"Tha Government is concerned to ensure that all vehicles used in this country meet our safety and environmental standards through compliance with the appropriate type approval requirements. But it is also anxious that the purchaser's choice of supply should not be impeded.

Goals

"The arrangements set out in the code of practice are designed to enable both these goals to be achieved," he added.

"When I am satisfied that these new arrangements are working effectively and will continue to do so, I will review the terms of the personal import exemption from national type approval" (that is the necessity for a sub-mac certificate).

What this implied was that the Department—worried about the flood of unofficial imports without certificates assuring they met UK standards—might take some action to separate what the trade calls the "genuine" personal importer, such as the diplomat, serviceman or businessman returning from a tour overseas and bringing his car to Britain, from the person who only drives the new car from the Continental dealer to the coast before personally importing it.

The SMMT has argued that the Department should insist on some time restriction—perhaps that the car should have been driven on the Continent for six months—before the vehicle could qualify as a bona fide personal import.

And the society was hoping that the code of practice would prove suitable and quickly be followed by action along these lines by the Department.

For this reason the SMMT has been waiting somewhat impatiently since the original trial period ended.

In January and February this year the Department circulated various consumer organisations to see if they had any criticisms about the way tha code was working out in practice. Apparently no significant criticisms have been made.

All the Department will say at the moment, however, is that the code is "still under review by officials and the Minister" and will continue to be used until a final decision is forthcoming.

Estimates suggest that 60,000 to 70,000 "grey" imports came into Britain in 1982 but since then the impetus seems to have gone from the trade as sterling came more into line with other Common Market currencies.

But perhaps the major factor has been that for the past two years or more list prices for cars of all kinds have borne little similarity to what they actually cost in Britain, since discounts in the motor trada have become endemic.

Discounts

A recent survey by the Motor Agents Association, for example, showed that three out of four dealers will offer a substantial discount on a new car without being asked for one. Discounts being offered before any bargaining takes place range from 10 to 15 per cent in most cases.

Of those dealers which volunteered a reduction without being asked, 75 per cent offered between 10 and 15 per cent, 23 per cent offered between 5 and 10 per cent and only 2 per cent offered under 5 per cent.

Of course, there are exceptions and perhaps the best-known is Mercedes. Although sales of Mercedes cars through the manufacturer's own import company have grown steadily in recent years—from 7,000 in 1978 to 13,500 last year—Daimler-Benz has been careful not to let supply catch up with demand. So customers seem more than willing not only to wait for their new Mercedes cars but also to pay the relatively high UK prices for them.

One fleet manager asked a multi-franchised car sales organisation with which he did considerable business how much discount he could get on a Mercedes. "Nothing," he was told. The fleet manager pointed out how much other business he provided and the car salesman relented.

"You haven't bought a Mercedes before, have you? In that case, we can give you a one per cent introductory discount."

When a fleet manager runs into that kind of stone wall he will find it worthwhile to shop elsewhere in the EEC—because that is what the Common Market is all about.

Much of tha hassle will also be removed from the "grey" importing deal if the company concerned has a subsidiary in another EEC country where list prices are much lower to handla negotiations there.

Dealers anywhere in the Common Market are obliged to supply right-hand-drive cars and vehicles with UK specifications when requested to do so by a potential British customer. And the code of practice ensures that the fleet manager will not have any problems getting the sub-mac certificate when the car arrives in Britain.

Copies of the new code are available on application in writing to the Department of Transport, Vehicle and Components Division, Room 8/17, Tollgate House, Houlton Street, Bristol BS2 9DJ; or to the SMMT, Forbes House, Halkin Street, London SW1X 7DS.

Any complaints about the way in which an application for a sub-mac certificate is dealt with by a manufacturer or his accredited representative first should be made in writing to the society at the above address.

Kenneth Gooding

The Mercedes-Benz 450SEL limousine. The company pursues a firm non-discounting policy in the UK.

Tax perks beat the crackdown

THE GOVERNMENT'S crackdown on the company car, one of the most attractive tax perks, has had a significant effect on the executive car industry, though the Inland Revenue has not succeeded in curbing the use of this very popular perk as much as it had hoped.

The industry has responded by developing increasingly sophisticated car allocation policies, drawing up tables of break points and cut-offs in valuing vehicles for tax purposes; putting together packages which take in the various elements of employee taxation, financing of the car and operating costs to determine the best car in particular circumstances.

The accompanying table shows the different scales of cars and alongside the car benefits in force at present and the new ones, announced in the Budget which will apply for 1985-86. In recent years the Treasury has increased the benefits at a rate greater than inflation.

Scales were first introduced in 1976, a diversion from the normal practice in most countries where employees are taxed directly on the benefit of the private mileage done in a company car. The minimum salary at which an employee becomes liable to tax is £8,500 and remains unchanged. As the years pass and average salaries rise, then more people find themselves caught in the taxable bracket.

Employees allowed the private use of a car will pay tax at the highest marginal rate on the scale benefit. There will be an additional charge where the employer provides petrol for private motoring.

All sorts of anomalies can be found within the regulations. The original market value of the car, for example, is used as a basis of a tax charge. The value is determined by the price which the car might reasonably have been expected to fetch if sold in the UK in a retail sale on the open market, immediately before the date of its first registration.

An anomaly pointed out by Brian Friedman, a tax manager at Coopers and Lybrand, in the Tolley's Company car tax guide 1983-84* arises in connection with the assessment of vintage cars.

Vintage cars are generally provided as prestige cars and may well have considerable market value. "Nonetheless," says Friedman, "vintage cars will fall into one of the lowest categories of car benefit (the original market value will be less than £14,000 and the car will be over four years of age) and will therefore give rise to an unrealistically low tax charge."

The scope of scale charges covers all the benefits associated with the provision of a car with a few exceptions. They include petrol for private motoring, covered by another scale benefit and the provision of a driver where the benefit depends on the driver's salary and the amount he drives on business.

So-called "perk cars" attract a higher tax as they are considered inessential to the business. According to Friedman, a perk car attracts tax on 150 per cent of the scale benefit when an employee's business mileage in the car is at an annual rate of 2,500 miles or less. Similarly, if an employee gets two company cars, and one is used less for business purposes, that will get the 150 per cent charge.

Recent research contained in the Monks Guide to Company Car Policy, 1984†, reveals that second cars are likely to remain a rare perk confined mainly to some chief executives in parent companies.

*Tolley's Company Car Tax Guide 1983-84. Tolley Publishing Company, Tolley House, 17, Scarbrook Road, Croydon, Surrey.

†Monks Guide to Company Car Policy, 1984. Monk Publications, Debden Green, Saffron Walden, Essex CB11 3LX.

Alison Hogan

CAR AND CAR FUEL BENEFITS

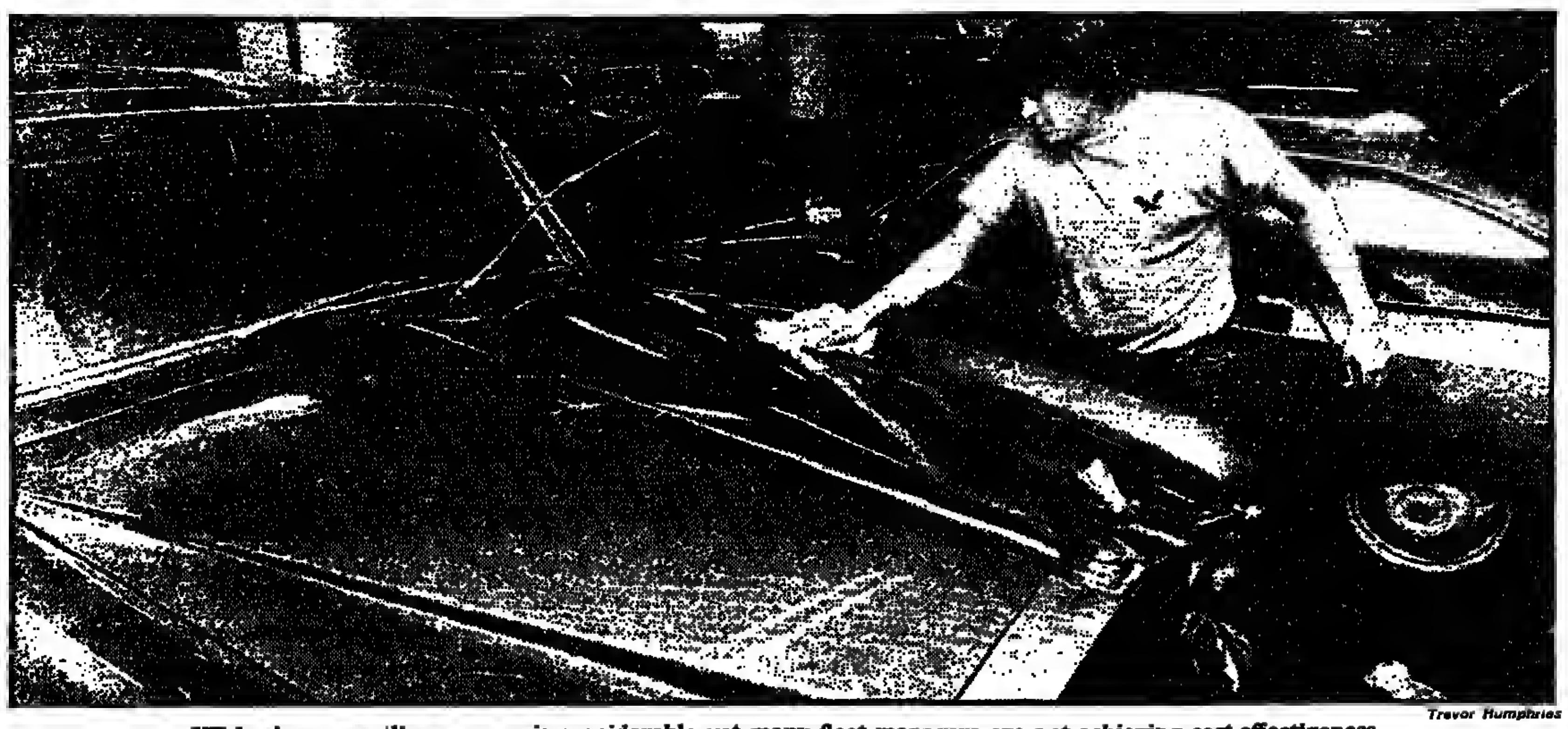
The taxable cash equivalent of company car and car fuel benefits are varied by Treasury order. The order dealing with the scales for 1984-85 was laid before Parliament last year and the order increasing the scales for 1985-86 will be laid before Parliament later this year though the figures have already been announced.

The normal scales for both years are as follows:

1984-85 scales	Car benefit £	Fuel benefit £	1985-86 scales	Car benefit £	Fuel benefit £
Cars costing up to £16,000			Cars costing up to £17,500		
1,300 cc or less	375	375	1,300 cc or less	410	410
1,301-1,800 cc	480	480	1,301-1,800cc	525	525
Over 1,800 cc	750	750	Over 1,800 cc	825	825
Cars costing £16,001-£24,000	1,100	750	Cars costing £17,501-£26,500	1,200	825
Cars costing over £24,000	1,725	750	Cars costing over £26,500	1,900	825

1. Both car and car fuel scales are reduced by 50 per cent if business mileage accounts for 18,000 miles or more in the tax year.
2. The car scale is reduced by approximately one-third if the car is over four years old at the end of the tax year.
3. The car scale is increased by 50 per cent if the car is a second company car or the business mileage is less than 2,500 miles in the tax year.
4. The car scales are reduced pound for pound for contributions which the employee may be required to make for his private use.
5. The car fuel scale is reduced to nil if the employee makes good the cost of all fuel used for private journeys (including travel to and from home and place of work).

Source: Ernst & Whinney



UK business spending on cars is considerable yet many fleet managers are not achieving cost-effectiveness

Trevor Humphries

John Griffiths finds there is growing concern about the pitfalls of running a fleet

Operational costs fox many companies

IF THERE IS one generalisation to be made about the purchase, operation and disposal of cars by an estimated 190,000 companies in the UK, it is that an unnerving number of them are not very good at it.

This at least is the weight of evidence from a number of surveys on the issue, including one from the British Institute of Management.

The BIM study last year, for example, found that while three-quarters of the companies it surveyed claimed they operated their cars cost-effectively, only about a quarter could identify what any individual car was costing them to run.

Market researchers Makrotest, in an update this year on a major study carried out in 1981, has concluded, however, that at least there is growing concern among companies about vehicle costs—even if there is not much improvement in the degree of sophistication with which many companies tackle the problem.

The findings of its 1981 survey made depressing reading: only about a third of executives charged with running a business's cars could properly identify the pros and cons of the four main forms of acquisition: cash, hire purchase, finance leasing and contract hire.

This is despite the fact that even the most conservative estimate would put business spending on cars last year at £4bn. A further study by James Bellini Associates last year appeared to have some justification for declaring that business car management suffered from "myoplas."

Warranty

The pitfalls, in terms of costs, in the executive car market can be considerably deeper than in the volume sector. This is not only because depreciation can be so much higher per unit, but because the cost of out-of-warranty mechanical failure can be prohibitive. For example, a replacement engine for some of the more expensive imported executive cars can exceed that of a new Ford Escort.

Seeking to minimise the cost through, for example, contract hiring a vehicle—involving paying a fixed sum for the vehicle per month with all the resale and operating risks borne by the hiring company—is one approach, and one which is becoming increasingly popular.

But the most effective decision-making involves the taking into account of many more complex factors, and will depend on the tax position of any given company.

In particular, as the UK economy moves further out of recession, an increasing number of companies are finding cause to examine whether it is more efficient to use their own tax allowances for outright purchase rather than opt for some type of easing.

Leasing itself takes several forms:

Finance leasing entails long-term hire where, at the end of the lease, the resale risks are borne by the company which has used the vehicle even though the leasing company retains ownership of the vehicle. Within finance leasing one of the most popular variations is the "open-ended" lease, where the lease period is flexible.

The other frontrunner is the "balloon" lease, which achieves lower monthly payments than other leasing forms through being calculated on the difference between the price of the vehicle new and what it is predicted to fetch at resale time. The balance of the full cost is paid at the end of the lease when the car is sold.

Difference

The snag is, of course, that if the car fetches less than predicted, the lessor company or individual must pay the difference (though the lessor pockets the difference if it fetches more).

The other principal form of leasing is contract hire, usually with full maintenance.

All the evidence suggests that it is contract hire which is making the running in the leasing field, with most of the specialists reporting growth rates of at least 15 per cent. According to the updated Makrotest survey, 15 per cent of the total business car market in 1983 was being served by contract hire (10 per cent in 1981) and 9 per cent by finance leasing (7 per cent)—equivalent to growth rates of 51 per cent and 22 per cent respectively over the two-year period.

In the same time, Makrotest concluded, purchase for cash had declined by 10 per cent and hire purchase by 5 per cent.

The leasing and contract hire companies claim that behind their growth is a changing business attitude towards cars. Companies would not dream of buying and laundering their own towels for washrooms, they point out—and since the business car is basically a service item, they suggest that more and more companies are treating it as such, opting for leasing and putting the capital saved to better use in the mainstream business.

The "converts," however, remain very much in the minority. Outright ownership may have shrunk, but companies opting for it still make up about 75 per cent of the total. And Makrotest forecasts that the figure will still be over 70 per cent at the end of 1985.

Hidden price of giving employees free choice

IN RECENT YEARS, particularly since the last recession began, one of the sounds emanating from some companies' transport departments has been that made by the *sucking* of burned fingers.

It has arisen from a too-liberal extension of "user-chooser" policies, under which an increasing number of employees have been given a choice of company cars *within* given price bands. In many cases the true costs of offering this choice—by the time a car has been eventually resold—have come as a considerable shock.

A willingness to allow middle-ranking employees or representatives to stray outside of the offerings of UK-based volume producers in favour of some rather more charismatic imports has resulted in some unpleasant awakenings in terms of high running costs and extremely poor residual values.

If the shocks were nasty in relation to volume cars, where *initial purchase prices* are relatively low, the consequences of allowing executives free rein were sometimes horrendous. In the trough of the recession some of the imports chosen not only had high running costs but achieved not much more than 30 per cent of the original purchase price on resale after two years.

Several surveys of company car policies in the past year have indicated that the "user-chooser" policy is becoming more restricted, at least in terms of allowable models, as the lesson has gradually been learned.

To steer companies, and their executives and employees, away from making such possibly rash choices in the first place is just one small part of the functions of a growing element in the business car scene—the professional fleet management companies.

Easing the pain of choices already made, by exploiting the most cost-effective disposal methods and keeping tight "before the *fact*" reio on repairs, service and maintenance, are others—while it has not been unknown for such companies, given their bulk purchasing muscle on behalf of a wide *array* of clients, to prise discounts out of executive car manufacturers where in theory no such discounts are allowed.

The fleet management companies say they have a particular role to play in the executive car field where, they claim, the numbers of vehicles may be relatively small but the savings per unit can be highest, and by a big margin.

It is natural, for example, for a firm of partners to want almost complete freedom in their choice of vehicle, freedom of financing period and participation in the disposal process. Guiding those decisions, which may involve a complex array of very up-market cars, is very mnch a job for professionals, the management companies argue.

However, the net cast by the management companies spreads very much wider. For example:

In the late 1960s, the transport manager of a company with a fleet of several hundred cars had one driver report in with a badly-scored front brake disc. This is an expensive item, and the transport manager felt it prudent subsequently to have the fleet checked at 3,000-mile intervals as a preventive measure. A similar check was instituted on tyres.

Forward thinking

Both measures might be seen as a bit of sensible forward thinking by a manager taking his job seriously.

"The trouble is," says Mr Roy Foster, "nothing happened for the next 15 years. During that time the checks *cost* that *company* literally tens of thousands of pounds, plus lost time for its drivers."

And the irony, says Mr Foster, "is that it took us a long time, when we assumed management, to convince that company that the checks simply were not necessary."

Roy Foster comes upon dozens of cases like that each month during the course of negotiations with companies which, many of them spurred by recession, have grown uneasy about their vehicle fleet costs and decided to investigate the pros and cons of professional fleet *management*.

He is director and general manager of Gelco Fleet Leasing and Management, the fleet management subsidiary of the U.S.-owned Gelco International Corporation which, like its contract hire division, is based at Manchester.

The two divisions between them run a fleet of about 30,000 vehicles. Both have been experiencing similar growth rates, of 12 per cent a year or more. And in Mr Foster's view, "1984 calendar year will be the most exciting for a long time."

The essence of fleet management is "before the fact" control—to use in Gelco's case, the vast array of fleet acquisition, operating and disposal facts now logged in databanks over 12 years of operation, to buy on behalf of clients vehicles with the most competitive "whole life" costs; to run them, using prior authorisation techniques for any service or repairs to prevent abuse by garages, or even drivers; and to dispose of them in the most cost-effective ways.

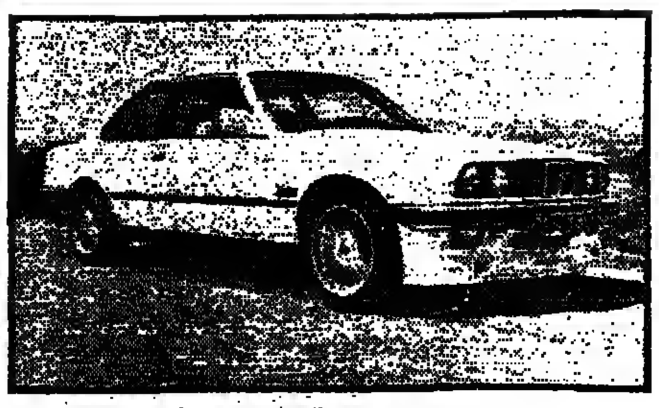
Equally, he is happy to admit that there will be another sector of the business vehicle market—particularly where cash flow or the need for major new capital investment in the mainstream business are big considerations — where contract hire, in which the vehicle is leased, with all running costs borne by the lessor, will be a logical alternative.

Gelco sees the best operating method for itself as being to provide both, with many variations *to suit* clients' individual needs. Mr Foster says: "There's no reason why in future we *shouldn't have a kind of* "Lego" system where the client picks out the precise bits of any of the packages to suit his own needs."

The approach is rather different from that taken by PHH Services, also U.S.-owned but based in Swindon. Like Gelco, it has been operating in the UK for about 12 years.

Mr Nick Suddaby, its deputy chairman, has kept PHH exclusively in the fleet management field. He says that PHH now manages 150,000 vehicles in the UK which would make it by far the largest in the field.

Mr. Suddaby reports spectacular growth during the past 12 months. Of that 150,000, he says, a third have been picked up since the end of 1982. "The number of approaches has been staggering," he claims, and attributes them to companies having become "much more open-minded to professional management, now that the recession *has* made them recognise the enormous cost vehicles represent to them." **J. G.**



The 132 mph BMW Alpina C1

Lucrative business in conversions market

THERE IS now a burgeoning market throughout Europe for cosmetic and engineering conversions to manufacturers' standard models. It is symptomatic of a lessening concern among many buyers about economy, as a result of stable fuel prices and the emergence from recession.

In the 1960s, such conversions and "bolt-on" additions tended to be confined to the cheapest end of the market; now Jaguars, Mercedes and BMWs are prime targets for the conversions, which can cost £10,000 or more.

It is providing lucrative business for companies such as AMG, Lorinser—now represented by Wood and Pickett in the UK—and Kamei of West Germany, operating exclusively in the aftermarket; and in the UK, companies such as Cartel.

Sport

While much of the business is sport-orientated, UK concerns such as Colman and Milne have found a ready market for "stretched" and upgraded limousines based on Ford's Granada, while Avon Coachwork recently has begun to market much-elongated limousines based on the Volvo 760, as well as an open-top version of Toyota's Celica.

The manufacturers themselves use the conversion specialists: Jaguar is using Aston Martin Tickford to build its open-top "cabrio" model launched some months ago; while Karmann in West Germany is used by Ford, Volkswagen and others to build cabrio versions of models such as the Golf and Escort. High performance Alpina conversions of BMWs are marketed through the manufacturer's own outlets.

Jaguar has become a particular target of converters since its new-found reliability and sales successes: Tom Walkinshaw Racing, which runs Jaguar's racing team, is now building a £30,000-plus conversion of the XJ-S, the Jaguar Sport, while Forward Engineering of the Midlands has revived the Lister Jaguar name, famous for its racing successes in the 1950s, for an even faster version.

Volkswagen's white Golf GTi convertible

Future vehicles will be quieter, safer and much more efficient

Planning the advanced car of the year 2000

IN BROAD TERMS, Dr Ulrich Sieffert of Volkswagen paints the following picture of the typical car of the year 2000:

● It will travel twice as far on a gallon of petrol as a current model;

● It will be made largely of plastic and aluminium, with steel only 50 per cent than that of today's cars;

● The engine may well be a gas turbine, capable of running on a variety of fuels, or it may even be an electric-petrol "hybrid," using an electric motor only at low speeds and using a small petrol engine to charge the batteries and provide extra power;

Equally, it could be a much more efficient diesel than the current variety, or be powered by liquefied petroleum gas;

● Continuously variable transmission will be fitted, to match the gear ratio to the engine's most efficient operating band.

● Broadly similar in shape to today's cars, but more aerodynamic;

● Much quieter, safer and less polluting; probably with four-wheel drive, anti-skid braking and the engine compartment encapsulated to reduce noise;

● It will be controlled by several computers, and be equipped with an electronic guidance and information system.

Dr Sieffert is well qualified to look into the automotive crystal ball: he is executive director of Volkswagen's research division at Wolfsburg, from which came VW's "Auto 2000" concept car a couple of years ago—a vehicle which incorporated several of these features.

The car industry, particularly in the executive car sector, is already travelling quite quickly down some of the avenues reviewed by Dr Sieffert.

The on-board computer is proliferating, as is four-wheel-drive (both General Motors and Ford are expected to offer it on their new executive cars within the next couple of years). And anti-skid braking is starting to appear on cheaper cars than the most expensive Mercedes and BMW models on which it was first offered (it is fitted, for example, to Honda's Prelude coupe).

Continuously variable transmission is making its debut in Europe this year, in a version of the Ford Fiesta and smaller Fiat models. Within two years, General Motors should be producing VCT for larger cars, of about 1.5 litres, at its Strasbourg plant. As the problems of building such transmissions for more powerful cars are overcome, they should spread increasingly into the executive car field.

VTV systems overcome the age-old problem of conventional automatic transmissions, in that there are none of the power losses associated with the automatic's torque converter.

To illustrate, VW's experiments with CVT have shown that not only is it more economical in terms of fuel nsed, not even the most adroit of drivers can match CVT on acceleration hy manual gear-changing. For example, a Golf fitted with CVT consistently accelerated to 60 mpb in 12.5 seconds, against 14.2 seconds when the same engine was mated to a manual transmission.

The decision on which of the CVT's many gear ratios to use at any given instant, as CVT becomes more sophisticated, will of course be made by computer; or one of tho computers — for by the later 1980s executive cars in particular are likely to be fitted with three or more.

Functions

GM, for example, put an on-board computer, governing basic engine functions, in every one of its cars in 1981. By 1986, some of its cars will have seven, says its chairman, Mr Roger Smith. These will be able to issue 38,000 command instructions governing every aspect of the vehicle's performance.

"Even so," he declared at a recent London conference, "we have barely begun to discover how many ways advanced electronics can be used in cars and trucks — the sky's the limit."

But if the precise uses to which they will be put for the moment remain a matter of uncertainty, the systems which will allow them to operate is not. Virtually all major manufacturers now are intensively developing the "multiplex" systems which will be the nerve centres of executive cars before the end of the 1980s.

They consist of a "master" computer with subsidiary control centres scattered about the car and connected to the "master" via a single multiplex "bus" line — a two-way information line. The implications for weight-saving are considerable — Ford says three metres of multiplex would replace 19-20 metres of wiring loom.

BMW will be utilising the concept from 1986, when the first of its "self-diagnosing" 7 and 6 aeries cars go on sale. On these, computers will monitor virtually all wearing components of the car and be capable of projecting the life of any given part when the car is taken in for service.

The syatem under which parts will be replaced only at need and not as a precautionary measure, coupled wih other improvements, will mean that 1986-onwards BMWs will require only 40 per cent of the level of 1982 cars' servicing, the West German manufacturer claims.

As for aerodynamics, the past popular assumption that low drag factors must automatically be associated with the sleek wind-cheating shapes of cars such as Renault's new 25 executive car (claimed drag coefficient 0.28) and Audi's 100 (0.30) is being shakeo by the emergence of new types of vehicle which, Ford goes so far as to suggest, could even hecome the standard car shape of the 1990s.

These are van-type "people carriers," and Renault this month will launch the first production model of its type in Europe. It is not a van, hnt bas a sharply-sloped front and is described by Renault as a "one box" saloon.

It is only 14 feet long, hut can seat five or seven and has highly flexible load space of 30 to 106 cubic feet. Its performance is anything but van-like, with a top speed approaching 110 mph.

No less important, despite its voluminous shape, its drag factor is just 0.32, rather better than the conventional car average.

And with the "Espace," as the new car is called, Renault and Matra, the French aerospace giant which is Renault's partner in the project, appear to bave taken a double step towards the future, for the car's entire body is of weight-saving plastic which, of course, also does not rust.

Significantly, Renault is manufacturing the car itself—Matra has built limited production models for Renault in the past—and at a high initial rate of 250 vehicles a week.

Flexibility

A key question for the fnture would appear to be whether cars of this type will remain simply convenient vehicles for transporting large families, or whether their obvious advantages in terms of space flexibility, in the case of the Renault seemingly at no cost in terms of performance or handling, will see them play a wider role.

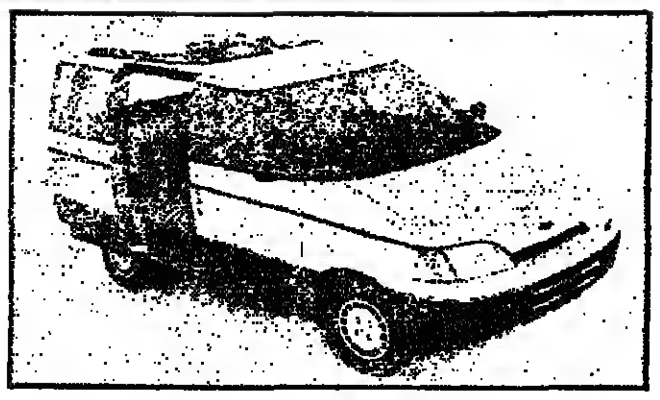
For example, at the Tokyo Motor Show last year, Toyota showed a van-like vehicle with flexible accommodation and the following other facilities:

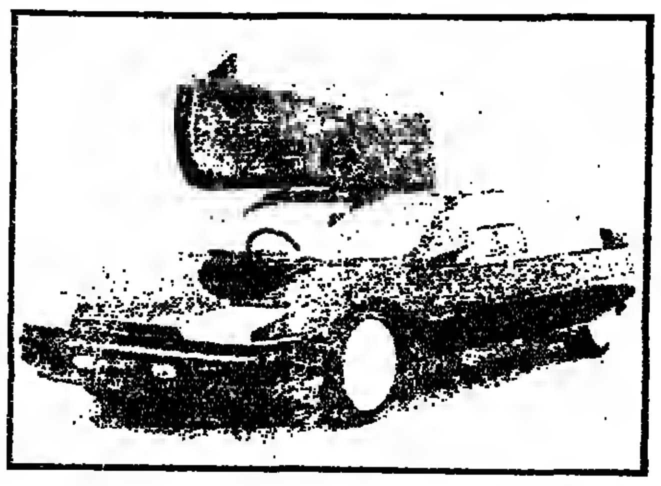
A traffic information monitor radio; a road guidance system; a telephone operated by voice recognition—thus allowing the driver to keep his hands on the wheel; a data terminal capable also of receiving external transmissions and a document facsimile receiver.

Now take another point made by Mr Smith in London: that a huge acceleration in technology over the next few years means that the industry cannot yet even be fully aware of the options available in terms of the prodocts it might produce and that the wider options io turn will make consumers ever more selective snd demanding.

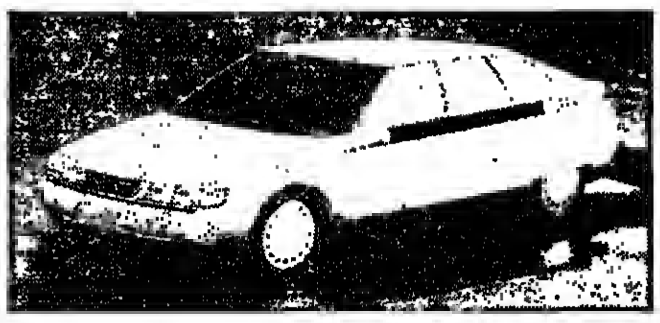
Given Ford's statement that the van-type car could become the standard product of the 1990s, and the Renault and Toyota developments, could it be that some of the executive cars of the 1990s will turn out to be very different creations from the current mainstream vehicles?

John Griffiths





Top: Ford's seven-seat Ghia APV, seen by Ford as a possiblo shape for the 1990s. Above: Nissan's NX-21 concept car has bi-folding gull-wing doors and mock-up ceramic gas-turbine engioe. Below: the oew plastic-bodied Renault Espace. Bottom: Mazda's MX-02 car features four-wheel steering for sideways parking and better steering on the road.



The main sales sectors are reviewed here and on the next two pages

The perplexing problem of image

Volume producers

KENNETH GOODING

John Fleming (above), Vauxhall's chairman, and John Bagshaw, GM European sales director: both face the fleet managers' preference for 'British' vehicles

A DEBATE taking place within General Motors' European operations is abont whether the U.S. group would sell more executive cars in Britain if its Opel Seoator was re-badged as a Vauxhall.

Those against tha change insist that hy retaining the Opel label for the Senator, GM can benefit from the considerable goodwill for West German engineering products whicb exists in Britain.

The Opel badge sets the vehicle apart from the Vauxhall "volume" cars, giving it an np-market, "import" image suitable for a car in its category, say those supporting the status quo.

For example, Mr John Fleming, Vauxhall's chairman, said recently: "When someone in a £14,000 car pulls up at the traffic lights and someone else in a £5,000 car comes up alongsida and both cars have the same badge—the person in the £14,000 car does not feel comfortable with his purchase."

But there are those within GM's European hieracby who, while accepting that point of view, believe that chauvinism counts more than image in the UK executive car market.

Mr John Bagshaw, executive director sales, service and parts, General Motor passenger car—Europe, reckons that Senator sales would benefit in Britain if tha change was made because "Vauxball" to fleet managers means "British" and they prefer to buy British vehicles.

Pressure

Supporters of a change for the Senator point out that although Ford's Granada has been under some pressure from its competition of late, it has remained the best-selling executive car in Britain last year—almost certainly because tha fleets also see "Ford" as being "British."

For example, there is the true story about the area police committee which drew back in collective horror when asked to approve the purchase of BMW cars. The obvious questions were asked: Why did the police need German cars? What was wrong with buying British?

So the police force, with the blessing of the committee, cancelled the order for BMWs and bought half a dozen Granadas instead.

The committee, apparently unaware that Ford builds all the Granadas in Germany, believed the police were, after all, "buying British" by buying Ford.

The volume manufacturer who *wants to offer a full range* of cars, from the mini to the executive express, certainly faces a difficult problem.

Executive car buyers are often obsessed with "image" and usually by choice would opt for a car from one of the manufacturers who are perceived to make only up-market cars.

The attituda is summed up in the phrase: If you can afford a top-of-the-range Granada at £14,300, why buy a Ford?

In Britain, the answer frequently is that the rest of the cars in the company's fleet are Fords and the fleet manager wishes to remain loyal to one manufacturer.

Thus, nearly 24,080 Granadas were regisered in Britain last year and the model accounted for 18 per cent of the executive car sector.

Compared with that, about 2,040 Senators were sold, a useful increase on the 451 for 1982 but well behind the Ford model. However, GM's executive car range in the UK also includes the Vauxhall Carlton which straddles that area between the Cavalier and the Senator.

GM carefully revamped the Carlton ranga to make it more attractive to tha UK fleets—and also concentrated all assembly in West Germany whereas previously there was some ontput in Britain.

As a result, Carlton sales last year jumped from 2,640 to 17,080 and the model's share of the executive car sector from 2.2 per cent to 12.8 per cent.

Ironically, the debate about the use of either Vauxhall or Opel for GM cars in Britain has no counterpart in Continental Europe. GM withdrew the Vauxhall brand some years ago because of the sales resistance to British-built cars.

And there is no set pattern among the European companies which have more than one marque or brand for their cars. Mergers have provided Fiat with Lancia; Volkswagen with Audi; BL with Rover and resulted in France in the Peugeot-Talbot-Citroen combine.

Peugeot's policy, partly thwarted by its lack of funds, was to have a full range of cars under each badge.

Fiat reserved Lancia for up-market vehicles but, because Italy, in its domestic market, prefers small cars, includes those in the Lancia range as well.

Confused

Volkswagen, however, is in the process of establishing a clear-cut imaga for Audi as a maker of executive cars, not run-of-the-mill runabouts. And, to capitalise on the demand by West German customers for cars incorporating "high technology," all the Andi models will be made available with four-wheel-drive.

BL's attitude seemed clear until recently because the Rover was firmly established as an executive-cum-luxury car at the top of the Austin Rover range. Now the image has been confused by the introduction of a "Rover" that is much smaller than in the past and uses an engine of only 1.3 litres.

The model in question, the Rover Acclaim, is based on the Honda Ballade and the decision to change from using the Triumph badge was hotly debated within Austin Rover. Certainly the Rover Acclaim hardly qualifies for the executive sector because of its size.

One new car which does come into the executive class is the Renault R25 on which the *French group spent FFr 1bn* (about £91m) to replace the R20 and R30 models.

Realistically Renault does not believe the R25 can capture *many sales from the specialist* groups such as BMW, Mercedes, Saab and Volvo.

Rather it contents itself in the belief that the R25 can win sales from other volume makers' top-of-the-range cars such as the Granada, Senator, the Peugeot 604, Citroen CX, Audi 100 and BL's Rover saloon.

Renault says that customers who are interested only in "image" or "prestige" cars will never be converted to buying from a volume manufacturer. However, in Europe that "image" and "prestiga" sector is on the wane.

The R25 offers the dedicated Renault driver a chance to continue to drive a Renault when he wants to move up to the executive class. The car will not be short of competition in the next year or so.

Ford is expected to replace the Granada early in 1985 (probably giving a first public viewing in the autumn this year). "Sneak" photographs of the new Granada show its concept is similar to the aerodynamic Sierra.

Austin Rover is only a year away from launching its XX, Rover replacement. A version of XX, with a clearly-defined different identity, will be made by Austin Rover for Honda, its Japanese partner in the project, to sell throughout Europe.

The result of another joint scheme, between Fiat, Saab and Alfa Romeo, is beginning to make an impact on the executive sector.

The co-operation has spawned the Saab 9000, the Swedish group's new flying flagship, the Lancia Thema — both already publicly previewed — and eventually will replace models as diverse as the Fiat Argenta, Lancia Trevi and Gamma, Alfa Romeo Alfetta and Alfa Six.

Kenneth Gooding

Top: the Ford Granada, expected to be replaced in 1985. Centre: Rover's 2400 SD Turbo; a Rover replacement is also on the way. Above: carrier of Volkswagen's up-market badge is the Andi 100

Specialists go for quality and turn the tables

Medium-sized producers

JOHN GRIFFITHS

THERE IS considerable irony in the fact that, in Europe, the volume car makers—those producing 1m units or more each year such as Fiat and Peugeot—are now looking with some envy at the smaller producers, not the other way round.

Just a few years ago it was thought that the smaller producers, making about 1-2m units a year or fewer—notably Daimler-Benz, BMW, Volvo and Saab—would have a tough time compared with the volume manufacturers. They would lack the large producers' economies of scale, and would find it difficult to fend off the increasingly sophisticated cars produced by the volume makers in their own pursuit of the high profits available in the executive car field.

It has not worked out like that. Instead, it is the smaller producers who often have the healthiest balance sheets, and who are building sales without throwing away their profit margins by discounting — even though the current metalworkers' strike is posing a threat to the immediate prospects for Daimler-Benz and BMW.

There are many facets to the explanation of how this situation has arisen. But the catalyst for the chain of events which has led to it undoubtedly was the oil crises of the 1970s. Under its pressures, cars needed to be made more fuel efficient, and to be produced more efficiently.

Search

Inevitably, the search for more aerodynamically-efficient shapes, lightness and greater fuel efficiency has seen manufacturers come up with increasingly similar answers.

Equally inevitably, it has presented the manufacturers with a growing problem of how to preserve their own product identity. In general, the volume manufacturers have not fared so well in this respect as the specialists, mainly because they are selling in the mainstream of the market. They have not dared risk being too radical in their design approach, and the movement of the market into clearly-defined product sizes has also meant that in each sector they are locked into fierce price struggles with each other.

In contrast, the successful specialist producers, by aiming at a specific slice of the market, have been able to benefit from a simplified product range around which a distinctive image can be built: BMW as a sporting executive car producer, Mercedes with its perceived quality engineering, Volvo for its safety, and so on.

All have adopted premium price strategies, and in their marketing have made great efforts to protect residual values. In the past, they had no option but to undertake such strategies, for they could not compete directly with the volume makers on production costs.

Even the last factor has changed: the introduction of flexible manufacturing systems means that the former cost penalties facing the specialists are rapidly fading. And even where the development of very expensive specific components, such as engines or body platforms is concerned, collaboration agreements can make them available to the smaller manufacturers at economic prices.

Recently, there has been a growing grey area between the products of the volume makers and the more specialised producers. Ford's launch of the XR4i as a 130 mph competitor pitched at BMW, for example; Renault's new 25 executive car, ever-faster and more sophisticated Audis and, in the other direction, Mercedes' launch of its smaller 190 model.

However, there is an underlying factor which works initially in favour of the distinctive images of the specialists and it is pointed out by Mr Mark Snowdon, managing director of Austin Rover.

He says: "There is a continuing growth in the aspirations of people to seek their own identity. Increasing affluence helps them to fulfil these aspirations, and the car is a major factor."

So with both volume and specialist manufacturers converging in terms of technical and engineering standards, such aspirations are likely to have the effect of pushing the volume makers in the direction of stronger product identities. And that, in turn, will increase the pressure on the specialists to keep one jump ahead in terms of the images they present.

No better example of the successful specialist exists than Mercedes. Its car output has grown almost uninterrupted—until the metalworkers' strike—throughout the worst of recessions, reaching 476,180 last year. Its Bremen plant has been turned into a second car production unit to join Sindelfingen and it had planned to produce half a million cars this year.

Crucially, its Sierra-sized 190 models, launched in the UK this year, have been well accepted, with 168,000 built so far. Demand for the car, says Mercedes, is running well ahead of pre-strike output of 2,200 190s a day.

Further, the company is taking very definite steps in terms of its image: alongside its reputation for high-quality engineering has gone one for conservatism. Now, with a vehicle like the 190 through which it believes it can tap a younger market, it has just launched on the Continent a high-performance, 16-valve version capable of 140 mph which, with its spoilers and air dams, is unashamedly pitched at the sporting car buyer.

Launch

It will be launched in the UK next year, and meanwhile Mercedes is moving closer to replacing its middle range 200 and 230 series models, which are expected to be first shown towards the end of this year.

BMW has experienced much the same type of growth: its car sales were up 20 per cent last year and production reached 421,000, well over half of which—264,000—were exported. And like Mercedes, it has been hard up against the ceiling of its production capacity.

Ironically, the foundation stone for its new producing plant at Regensburg was laid just before the metalworkers' strike began. But when it comes on stream in 1986, it will increase BMW's capacity by 100 cars a day.

BMW has been perhaps most successful of all in terms of widening its market appeal without losing its image. In the UK, it is now the manufacturer with the biggest price spread, from the basic two-door 316 model at £7,260 to the 635Csi coupe at £25,000. The addition of four-door 3 series models this year has further widened the appeal of a range which now accounts for over half of BMW (GB)'s sales.

Thus at the lower end of the scale, BMW is competing successfully with the mainstream products of volume manufacturers. But the Munich company is not content to leave it there. Increasingly, it is attacking the higher ground of the "supercar" makers. It has recently launched its M635Csi coupe model, with a top speed of 158 mph; a considerable number of other high-performance products, possibly offering four-wheel-drive, are in the pipeline.

Volvo, the larger of Sweden's two car producers—and also hit, like Saab, by the West German strike through the drying up of supplies of fuel injection equipment—had its best year ever last year: sales rose from 317,800 to a record 365,100.

Many of these were made of by the smaller 300 range of cars built by the Netherlands-based Volvo BV, formerly DAF, in which the Dutch Government is the major shareholder.

But for the first time in almost 20 years it had en entirely new executive car contender, the controversially-styled 760, with its U.S.-style, sharply-raked rear cabin. Nevertheless the cars, pitched firmly into the heart of the executive car market—and in variants from diesel to 125 mph turbocharged petrol—have been a considerable success, not least in the U.S. where Volvo's total sales jumped last year to 88,860 from 72,375.

Even the older 240 series cars, first launched in the mid-1960, have been refined and improved, and will continue in production. And it is the 240 almost as much as the newer car which is helping further to improve Volvo's image.

Safety, rather than motorsport, is most strongly associated with Volvo—even though the company was prominent in rallying in the 1950s. But this year the hundreds of thousands of spectators attending European Touring Car championship events have been astounded to see turbocharged versions of the 240 on occasions leading the pack, ahead of Jaguar's and BMW's fastest coupes.

Volvo provides an example of how the smaller producers can compete in part of sharing costs with other manufacturers: it has a co-operation agreement with Renault, which has 9 per cent stake.

Saab, rather more dramatically, showed what co-operation can mean when, at the start of this month, it unveiled its first entirely new car for nearly 17 years—the 9000, which will go on sale in Sweden later this year.

Beneath the 9000's bodyshell is the same "Type Four" platform on which Lancia is building its "Thema" executive car to be launched later this year, although Saab stresses that the cars share a total of only 12 common components.

The 9000 is the result of a collaboration deal signed with Lancia in 1979 and which, Saab calculates, has both saved the company substantially on costs and allowed it to bring the model to market a year earlier than otherwise would have been possible.

The car takes Saab firmly up market: it is the fastest car it has ever produced, with a claimed maximum speed of 136 mph and powered by a 16-valve turbocharged engine fitted also to the "Aero" version of its existing 900 model which has also just gone on sale.

In line with Saab's thinking that survival lies strictly in the executive car sector, the 9000 is expected eventually to have anti-skid braking and the other fitments confined to the top of the executive car market. When it is launched in the UK next year, its price will also be the highest ever for a Saab—more than £15,000.

The Alfa Romeo Alfetta Gold Cloverleaf has variable valve timing

Why the 'wrong' colour affects value

THE RIGHT colour can add anything from £50 to £200 to the value of a small or medium-sized car when it is being sold into the used-car market. The wrong colour can cut £1,000 from the price the trade is willing to pay for a Rolls-Royce.

That is food for thought for any company which really cares about the residual value of the new cars it acquires.

Mr Barry Jordan, used car sales manager for Herondrive, the leasing company which buys over 4,000 cars a year, and who has 21 years experience in the business, gives the following advice:

● Avoid white. It is the least-favoured colour in the used car trade. "White only looks good when it is immaculate," he says. "It goes dowdy if not kept well."

● Dark blue is another colour the trade tries to avoid. It shows scratches.

● Green is a difficult colour because many customers are superstitious and believe that green might bring them bad luck.

The so-called "metallic" paints can have the effect of pushing the residual value either up or down quite substantially.

In good condition they enhance the appearance of a car, make it more saleable and worth more. But when metallic paint is scratched it is difficult to "touch up." Dealers buying cars with metallic paint in poor condition assume that a complete respray will be needed—and they adjust their bids downwards to compensate.

The most popular colours in the trade are bright reds of all kinds. Beige comes a good second.

High mileage

Mr Jordan points out that many ex-fleet and company vehicles go into the used car market with high mileages on the clock. "But they will still sell if they are in good condition and are the right colour."

A car with its interior in a poor state is the most difficult to sell at a reasonable price.

Dealers know from experience that, for example, replacing some torn fabric can take time because they have to wait for the manufacturer to come up with the right material—it is not like ordering a mechanical part which can usually be supplied within 24 hours at the most.

For a dealer operating mainly on borrowed money and facing today's high interest rates, the ability to sell a car quickly is an important consideration. If he thinks the vehicle will be standing for 10 days or so waiting for a repair to the interior the dealer will not buy—unless the price is lowered substantially from the normal going rate for the same car in reasonable condition.

All this suggests that companies which want to get the best price for their cars when they sell them into the used car market should offer some incentive to the employees who use them to keep them in reasonable condition.

Yet the research shows that only a very small minority of companies—even those with large fleets — have such schemes in operation.

Mr Michael Woodmansey, who compiles the British Institute of Management's annual business car survey, points out: "Employees with company cars may not have the same vested interest in their vehicles as those owned by employees themselves. But it is likely that the cars will have been better serviced over their fleet life.

"However, company cars are open to abuse by a minority of employees and it is therefore worthwhile to have a control system to minimise such behaviour.

Check

"Each vehicle should be checked at least every three months by the fleet manager or his equivalent. This will usually involve a visual check for unreported damage, rust and general appearance. To be effective, some form of sanction should be available and invoked against the offending vehicle user."

Mr Woodmansey suggests sanctions could range from "a quiet word in your ear" to a formal report or audit on the vehicle being placed on the employee's file.

He says, however: "Removing a vehicle from an employee is rare and in some instances may result in a dilemma. What does an organisation do if its top sales representative, bringing thousands of pounds worth of business to the company, is also the worst offender regarding car care?"

Kenneth Gooding

U.S. exchange rate shift provides much-needed boost

Recession hits Rolls output

Luxury cars

JOHN GRIFFITHS

ROLLS-ROYCE, the best known of the now very small band of UK luxury car makers, has had a very tough time since the onset of recession—and in the UK it is still having one.

Sales in the first five months of this year were just 274, compared with 332 in the same period of 1983 and vastly removed from the 764 it sold, for example, in the first five months of 1979.

Until this year, the pattern had been the same in the U.S., which rivals the UK in importance to Rolls. And overall, the Crewe-based company's output dropped from 3,018 in 1980 to just 1,568 last year.

The company's directors had expected output to move up—to about 3,500.

The reasons behind the decline are complex, but appear to have their genesis around 1980. Rolls and Bentley sales had held up well until then—Rolls believes that as a luxury car maker it is always among the last to go into recession and, equally, among the last to come out.

But gradually, as the unemployment lists lengthened and lay-offs mounted, it became increasingly unacceptable for a company chairman or other senior director to drive past the company board carrying the redundancy notices in a new Rolls-Royce or Bentley.

It took some time, however, for buyers in general to appreciate that the good old days of being able to buy a Rolls, run it for a couple of years and then get virtually what was paid for it, were over.

But once they did become aware that Rolls-Royces were depreciating by anything up to the price of a new Jaguar in just 12 months, the slide began.

The problems were compounded in the U.S. by soaring interest rates, and the unexpected strength of sterling. Sales plummeted there, too.

Thankfully for Rolls, the exchange rate more recently has moved heavily in favour of UK exporters — sufficiently so for Rolls to lop up to $18,000 off its models in the U.S. last year, with the result that, it says, it actually had a shortage of cars by the end of the year.

Peter Ward, Rolls-Royce's marketing director since February of last year, says the improvement in the U.S. should continue.

But if Rolls-Royce is to meet the targets it has cautiously set for itself this year — 2,400 sales worldwide — then the situation in the UK has got to improve rapidly. So far, the sales figures are going in the opposite direction to the 15 per cent improvement that Mr Ward predicted by the end of this year.

Clearly, depreciation trends have been one of Rolls-Royces' biggest worries.

To prop them up, the company took several actions last year which, it must be presumed, are only slowly working their way through the market-place.

One tactic was to promote heavily used car sales, launched in April last year. A few months later, it was backed up by a scheme under which the buyer of a used Rolls-Royce or Bentley could buy, for £500-£600, a two-year warranty on any car with less than 70,000 recorded miles.

Strengthened

The residual value figures, as Glass's Guide illustrates, have since strengthened somewhat — but still the new car orders are missing.

What does seem clear is that price—the "basic" Rolls-Royce Silver Spirit costs £53,240 — is not necessarily the main deterrent. The one model that Rolls-Royce is doing particularly well with is the Bentley Mulsanne Turbo, at £62,000 — which has helped lift Bentley's share of total Rolls-Royce output from 7 per cent to over 20 per cent.

It remains to be seen what other tactics Rolls-Royce might try to improve the picture. Certainly, the company does not have open to it the options of significantly changing the model mix in search of improvements.

Any new, lighter car is unlikely to appear before the end of the decade. And in the meantime, Rolls will continue its policy of continually updating and improving those that exist.

It is also facing the future with yet further management changes, after the wholesale reorganisation which took place last year.

The changes included the departure of Mr George Lewis, the president of Rolls' U.S. operation for many years.

Now, Mr George Fenn, who has been chief executive of Rolls-Royce since its merger with Vickers since 1980, is to retire early, aged 57.

He will be succeeded next month by Mr Dick Perry, 53, who spent nearly all his career with BL companies before joining Rolls-Royce in the late 1970s. He has been managing director of the cars division since 1982.

Life has been little less traumatic for Aston Martin, the Newport Pagnell-based manufacturer of 140 mph luxury sports car and the Rolls-Royce-rivalling Lagonda (it also makes the 170 mph Vantage, which vied — until Ferrari launched its 180 mph, 400 bhp GTO at Geneva in the spring — for the title of world's fastest production car).

Earlier this year, Aston Martin acquired its tenth set of owners—this time round, its North American distributor, Automotive Investments had bought 55 per cent of Aston Martin Lagonda—the actual car-making operation—in July of 1983 from Mr Victor Gauntlett's Pace Petroleum concern. It also acquired from CH Industrials, Aston's other joint owner, 50 per cent of Aston Martin Tickford, set up several years ago at Milton Keynes to develop contract engineering work.

In February, CH sold its 45 per cent holding in Aston Martin Lagonda to Automotive Investments, while Automotive Investments sold to CH the 50 per cent stake it had earlier picked up in Tickford.

The upshot of this labyrinthine deal is that Automotive Investments now wholly owns Aston Martin Lagonda, which is now going its own way from Tickford.

During the early part of last year, while the manoeuvrings were going on, industrial relations deteriorated somewhat and car production came to a virtual standstill following the departure of Mr Gauntlett.

However, since last summer, after selling his Pace Petroleum interest, Mr Gauntlett, a dyed-in-the-wool car enthusiast who races vintage cars, has been running the operation fulltime as chief executive.

Production is back up to five cars a week, the best in recent years.

Resources

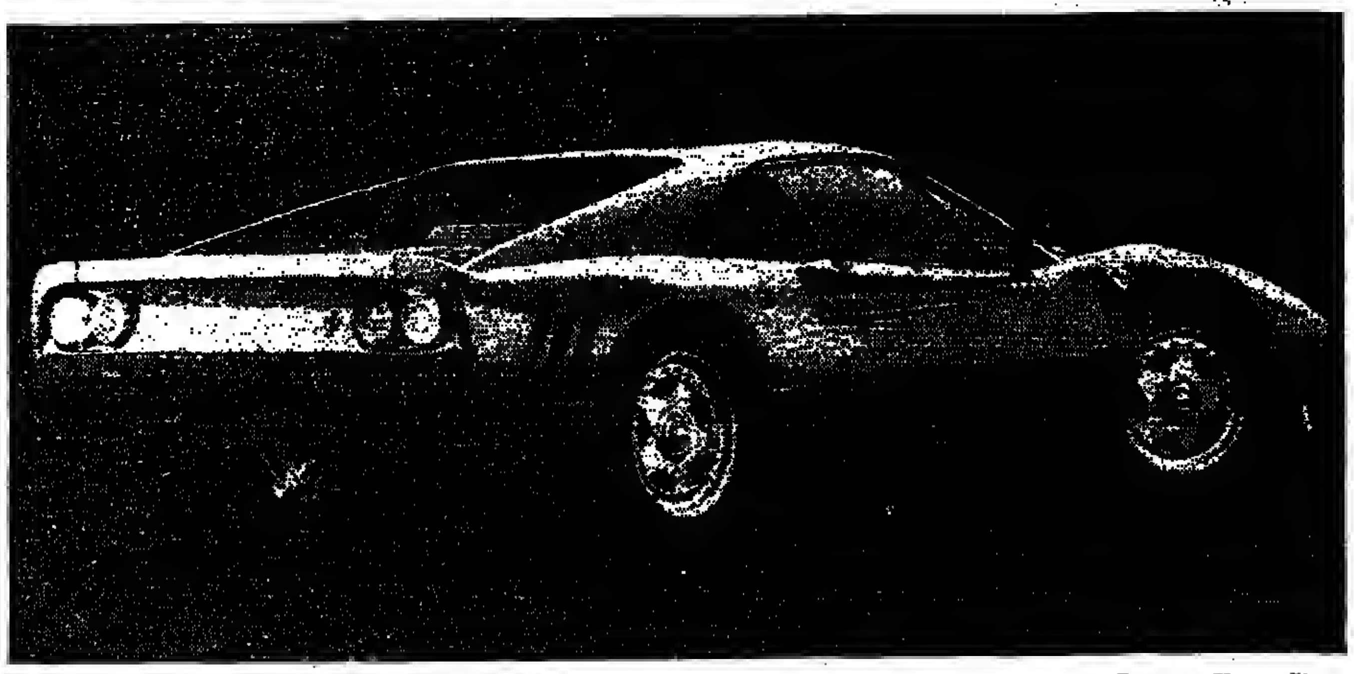
Perhaps most importantly, however, Automotive Investments is providing Aston Martin with the resources to develop a new car, which will be about one third less expensive than current models, which start at about £40,000.

Thus from 1986 onwards Aston Martin should be in a position to compete directly with the top end of the Porsche and Mercedes range—with considerable potential significance for expanding output, and perhaps employment. The car, says Mr Gauntlett, will cost about £5m to bring into production.

Meanwhile, there continues in very limited production—only one a week—the only other true rival to both Aston Martin and Rolls-Royce: the Bristol.

Bristol Cars, named for its past connections with the aircraft business and produced a short distance from British Aerospace at Filton, has continued at the same production level for many years. Its large sporting saloons cost about £45,000 and include a 140 mph turbocharged model, the Beaufighter.

'Office' in the rear compartment of the Daimler Executive Limousine is equipped with TV, video, computer and copier for facsimile transmission. Jaguar may sell these cars in the U.S. next year.



The world's fastest sports car for road use, the Ferrari GTO, was launched at this year's Geneva Show. It is capable of 185 mph-plus and is being sold in limited production for about £50,000.

Higher demand brings upturn

Sports cars

JOHN GRIFFITHS

WITH FEW exceptions, specialist car makers catering to the sports executive sector are *enjoying an upturn in what* bas become well known as a volatile and cyclical part of motor industry business.

Porsche, the West German sports car maker, is also an exception—but for different reasons.

For a start, it does not fit readily into the fraternity of the truly small specialists, such as Lotus, Lamborghini, TVR and Maserati, whose output is measured in terms of hundreds each year.

In its financial year to last July 31 Porsche sold 44,800 cars. Yet, though it has a reputation to match those of its fellow West German executive car makers, Mercedes and BMW, it is only a tenth their size.

Not least, however, unlike virtually all the other small specialists, it has continued to make profits despite oil crises and at times it has appeared almost recession-proof.

It appears to provida the classic example of how buyers *will continue to pay a premium* for a product if its reputation for technical and engineering quality is high enough, in turn generating the funds for investment in continuing model development.

Thus with new car sales generally recovering, particularly in tha important North American market which took 20,200 Porsches last year, sales bave been bounding ahead. They were up 39 per cent last year, and are up a further 18 per cent in tha current year.

Even so, the metalworkers' strike apart, it has been a highly eventful year for the company.

Snapped up

Its owners, members of the family of the late founder, Dr Ferdinaud Porsche, in tha spring decided to launch non-voting preference shares on the West German stock market. They were snapped up and Porsche wound np with a net DM 98m cash capital increase, making yet easier the funding of its ambitious model programmes for the future. It has also made it easier to do something about production capacity, which is straining at tha seams.

At the same time, Porsche's plans to end its U.S. joint distribution agreement with Audi, and hava "agents" selling the cars on commission, has run into trouble. Some U.S. dealers filed legal actions. How the final arrangements will turn out is still unresolved.

None of this, however, has affected the underlying progress Porsche has been making in further improving and expanding its three basic product lines, the 924 and 944, the rear-engined 911 series and the largest 928 models.

Towards the end of last year, Porsche increased the power of its 150 mph-plus 911 models. The impetus for this, it seems, was to continua to have a performance differential between the 911 and the new turbocharged 944 car which Porsche is expected to launcb later this year.

This year, it also launcbed the most expensive Porsche ever, which sells for about £50,000 in West Germany. However, only 200 of the 911 C/RS will be built—the minimum number needed to allow the car to take part at the top levels of motor sport.

A fonr-wbeel-drive Porsche is also reported to be on the way, while Car magazine—which specialises in prying into manufacturers' model plans — recently suggested that Porsche in the next few years plans to launch a "bargain basement" model—at £10.000 or less—using soma Volkswagen components.

Reputation

In many ways, the reputation of the small UK manufacturer Lotus rivals that of Porsche; certainly in terms of engineering ingenuity.

But the last conple of years bave been traumatic for the Norfolk-based company. Colin Chapman, its founder and one of the acknowledged engineering geniuses of the post-war period, died of a heart attack nearly two years ago and tha company has only recently shaken free of Inland Revenue probings into Mr Chapman's and Lotus's precise roles in the abortive De Lorean sports car venture.

Towards tha end of 1982 Lotus was on the brink of financial disaster, its advisers desperately seeking some way of injecting new finance into the company.

Rescue came in the form of the extrovert Mr David Wickins and his Britisb Car Anctions group and Toyota, Japan's largest car maker, with which Lotus bad formed collaboration links a conple of years earlier. BCA is now Lotus' largest single shareholder, Mr Wickins is its chairman, and Toyota has a holding of 17 per cent.

Crucially, tha rescue provided Lotus with a *financial* underpinning of £6.3bn. "Now," says chief executive Mr Michael Kimberley, "we've got money in the bank and owe no-one anything."

The new-found confidence saw Lotus planning to re-enter the U.S. with a bang this year with sales of 350 cars througb a new distribution network. But it did not reckon on the Inland Revenue slapping an £85m provisional tax assessment on the company at tha end of 1983. Throughout the four months it was in force, Lotus protested consistently that it was merely a device through which the Revenue could pursue De Lorean investigations.

It was indeed withdrawn a few weeks ago—bnt Lotus is bitter about the fact that it undermined the company's U.S. launch, with dealers refusing to sign up until the affair was resolved. Lotus should have had 40 U.S. dealers by the end of January; they are signing now, but thare are still so far only 30 and Lotus is resigned to selling just 175 cars in the U.S. this year, despite the efforts of Mark Thatcher, the Prime Minister's son, hired by Lotus to promote sales thare.

However, Lotus is confident of lifting production this year from 440 cars to 860, and UK sales are up 36 per cent. It has also found the confidence to shake up its dealer network. It dropped 10 dealers last year, leaving it with just 19, and the network has only now been built back up to 25.

The dealer action has gone hand-in-hand with a major drive on product quality—an issue about which Lotus has been sensitive to criticism. It has been replacing suppliers at the rate of five a month recently. "Wa are determined to get the right reliability image," says Mr Kimberley.

Changes in existing models are in the pipeline. At tha UK motor show in October Lotus will present its own concept car, showing its ideas about the future.

Most important of all, Lotus is now just 20 months away from launch of the X100—a new two-plus-two Toyota-powered sports coupe which will sell for £9,500 and is intended to be produced at the rate of 5,000 a year.

"It will be," says Mr Kimberley, "the Lotus Elan of the 1980s."

Two other sports cars from the small specialists are also expected to make a considerabla splasb at the show.

Panther, the Surrey-based maker of 1930s-appearance "sports" cars rescued from receivership by South Korean businessman Mr Young C. Kim nearly four years ago, will launch a totally modern sports coupe very much in the shape of Ferraris and Lamborghinis—though not quite possessing their power, since Ford's XR3i and 2.8 litre V6 engines will be used.

The aluminium-bodied "wedge" will sell for under £10.000. As with the existing Kallista models, its aluminium panels will be shipped in from Korea.

It could well mark tha emergence of Panther as a serious specialist producer. In the past few months, it has opened a second factory, and lifted *Kallista* output from seven to 15 cars a week. The company already employs 140 workers and will take on more as the new car comes on stream. Mr Kim *has* plans to expand sales in Europe, and eventually to take tha new car into the North American market.

Reliant, builders of the Scimitar sports estate at Tamworth, Staffordshire—although its main output is tha Rialto three-wheeler—is also to launch a new sports car at the show. It has been conceived as filling the market niche for open two-seater sports cars vacated by BL with the demise of the MGB, Triumpb TR7 and Spitfire.

These cars once accounted for a *20,000-30,000 a year market* in the UK alone, but were uneconomical for volume car makers to build. Reliant believes its car, expected to sell at £7,500 or less, will find enongh demand to make its prodnction economic, despite the *rise of the "sports hatchback"* saloon, apparently replacing the traditional sports car.

Coupes

TVR, the Blackpool-based maker of open and closed *sports* coupes, launched its fastest car ever this year, a version of its Tasmin powered by the 3.5 litre V8 from the Rover Vitesse. It, too, is finding demand across the world outstripping its ability to supply. That ability is in any *case small. Given current capa*city and little more than 100 workers, it is having difficulty building 500 cars a year, but has firmly set its face against rapid expansion—in the uncomfortable awareness that in the past there has always been a *downturn.*

It has set its main sights on the U.S., where this year it has set up new distribution arrangements and expects to sell 300 cars, or 60 per cent of output.

Meanwhile Morgan, that oldest of UK-based "traditional" sports car makers soldiers on, churning out its inevitable 500 units a year, no matter for how many years ahead the orders stretch. Its consistent refusal to be tempted into larger production has stood it in good stead: this year, the company will celebrate its 75th anniversary.

Stuart Marshall test drives some of the wide range of vehicles available

Wide range for business user

THE RANGE of cars of appeal to the business user has never been larger than now and one really can say that there is no such thing as a had executive car; merely that some are better than others.

An old friend that has recently appeared in a new guise is the Alfa Romeo Alfetta. The Gold Cloverleaf has an interesting microprocessor controlled fuel injection and ignition system. Combined with a timing control that adjusts the inlet camsbaft, it assures maximum torque and output at both ends of the engine speed scale.

In town, you get very lively acceleration; on the motorway, good ecooomy. The mock wood steering wheel jars with the 1984-style fascia and the gear-shift needs knowing. A car of character, though, if mainly for Alfa huffs.

Audi, the up-market end of VAG, is pushing hard—and successfully—for a place in the husiness user market. Two Audis that particularly impressed (other than the 100 turbo-diesel described elsewhere in this survey) were the 80 Quattro and 200 Turbo.

The permanently all-wheel driven Quattro is a proper four-door, 4/5 seat saloon of slightly dated appearance with a five-cylinder engine, fuel injected and muscular enough for a 120 mph maximum. Handling and roadholding, especialy on slippery roads, are quite exceptional. I look forward to the day when all fast cars have all-wheel drive.

The Audi 200 Turbo, which carried me at over 140 mph on the autohahn quite undramatically, can also he spectacularly economical in its manual version, given restraint. There is some tyre-induced road noise hut little else to complain about.

Pleasing

BL's new Montego Vanden Plas and MG, two-litre engined and power steered, are worthy executive transport, the MG perhaps more so for the press-on driver. Even the standard 1.6 Montego is a pleasing car, distinctive outside and roomy within with a very large hoot.

For the tima heing, the two-litre "O" series engined Montego models are available only with an excellent Honda-supplied five-speed gearbox. There will be automatics in due course. The fuel-injected MG Montego 2.0 EFi handles so well that the arrival of the turbocharged version toward the end of the year will give BL a car that, for the first time in many years, will be a real challenger to performance-orientated imports.

Providing a car of modest size is preferred, the BMW 3-series four-door saloons with engines ranging from a 1.8 litre four-cylinder to a 2.3 litre in-line six, all fuel-injected, have everything in their favour.

A 1.8i, well laden, and high enough geared to need fourth now and again on inclines, rushed me up a rain-drenched autoroute from Nice to Saulieu just before Christmas, putting 60 miles into each hour with relaxed ease.

Just available in Britain are two new BMW Alpina models. The C1, based on the 323i, and the B9, a modified 5-series, have up-rated suspensions and ultra-low-profile tyres to cope with extra performance but are comfortable as well as quick. So quick, in fact, that one wonders why people crush themselves into cramped supercars when the same sort of performance is available in a car you can sit up in and see out of properly.

As an alternative to cars in the Montego/Cavalier/Sierra class, Fiat has introduced the Regata saloon (a Strada derivative). The 100 Super felt happy on the autostrada at a slightly illicit 100-mph plus. Ford's Orion 1.6i Ghia is for the user who would like an XR3i but accepts less performance for the sake of a better ride, less noise and four doors.

Jaguar's XJs have been around so long that one should not continue to be astounded by the quality of the ride, which is excelled by none and approached by few. The straight-sixes get a bit thrashy if worked hard in the manual gears but most Jaguar drivers prefer automatics anyway.

Slimmer

The new XK-40, not due until 1985, will have the single overhead camshaft engine now used only in the XJS-3.6. It is not quite as silken as the V12 but better than the old twin-cam sizes, as it should be. With a new four-speed automatic and a slimmer though not radically-changed body, it should take Jaguar to the turn of the century.

It is to be hoped that Jaguar has resisted the temptation—and the urging of certain trendies—to make too sharp a change of direction. The appeal of Jaguar cars has always been based on their looking like a traditional hand-made British car of quality while being sold at a fraction of the price.

Few of the senior managers or professional men who drive Jaguars probably have the skill or the inclination to exploit their superlative handling to the full. But they are well awara that the almost total suppression of road-induced noise eliminates travel fatigue. The aroma of hide, the glint of wood veneer, the Bond Street-cum-St James's ambience of the interior; these are vital ingredients of the Jaguar's sheer mystique.

There are many fast and luxurious cars with plastic interiors reflecting the latest thoughts of top stylists. But there is only one Jaguar. It is as British as Buckingham Palace and it is this as much as the sheer performance that appeals to home and overseas buyers.

The Mercedes 190 is not as similar to the BMW 3-series four-door as was expected. Despite its small size (by Mercedes standards) it feels traditiooally solid and enduring. The 190E has a useful performance advantage over the 190 with a carburetter engine but a BMW 323 will see it off on an autobahn. Few cars are more driver-friendly, though, than the 190, with its inspired rear suspension. The 190 diesel with an encapsulated engine is eagerly awaited.

The 380 and 500 Mercedes saloons still set the standard against which other volume-produced top executive cars are judged. Tyre rumble from coarsely textured road surfaces is not as well isolated from the interior as it might be and I find the seats a mite hard. But they personify efficiency and engineering integrity and deserve their high status.

The Opel Monza with its electronic instrumentation, 3-litre straight-six, power steering and German quality interior, comes close to the BMW 6-series coupes in driver appeal if not, perhaps, in status. A nicely balanced car, this, as is the Senator saloon.

The Peugeot 505GTI combines traditional bourgeois comfort and respectability with e good deal more pep than one expected. As always, tha ride is at the top of its price class and Peugeot understands tuning seats to match suspension rates.

A Peugeot 505 is always enjoyable to drive, even if it is a lesser model than the fuel-injected GTI, because it is so undemanding. They are not enthusiasts' cars, merely fast, untiring transport for drivers to whom it is better to arrive than to travel. For the kind of driver, in fact, who reckons that if a car is reliable, is quiet enough for the radio to be enjoyed at motorway speeds and has truly comfortable seats, then anything else is a bonus. The older *504 was this sort of car.* It was a magic carpet on the road, but did not take kindly to driving styles best reserved for test circuits.

Porsche's quality is unsurpassed. The 928 was scoffed at by dyed-in-the-wool Porsche buffs for whom the only true Porsche had an air-cooled, horizontally-opposed engina at tha rear. It was, they aaid, more of e limousine than a sports car.

They are entitled to their view hut I do not share it. The 928 may not have that animal quality that can ha so appealing in the 911 but it is one of the few sporting cars ideally suited to long distance, very high speed business travel.

The 928S Series 2 I drove recently had the four-speed automatic transmission— mucb nicer than the five-speed manual box for the business user. It is an ideal car for the customer who might find a Mercedes 500 too large and too staid though otherwise suitable.

Renault's new 25 is due here in the near future. Trying a 2.2 litre version in France some months ago, I found it was the quietness of engine and lack of *wind noise that impressed most.* A good amhience, really, for the sensational six-speaker stereo with controls only a fingertip away from tha wbeel. I'm not sure abont the rear end: a curious mix of a glass hatch with a sill as high as a saloon car's boot.

Responsive

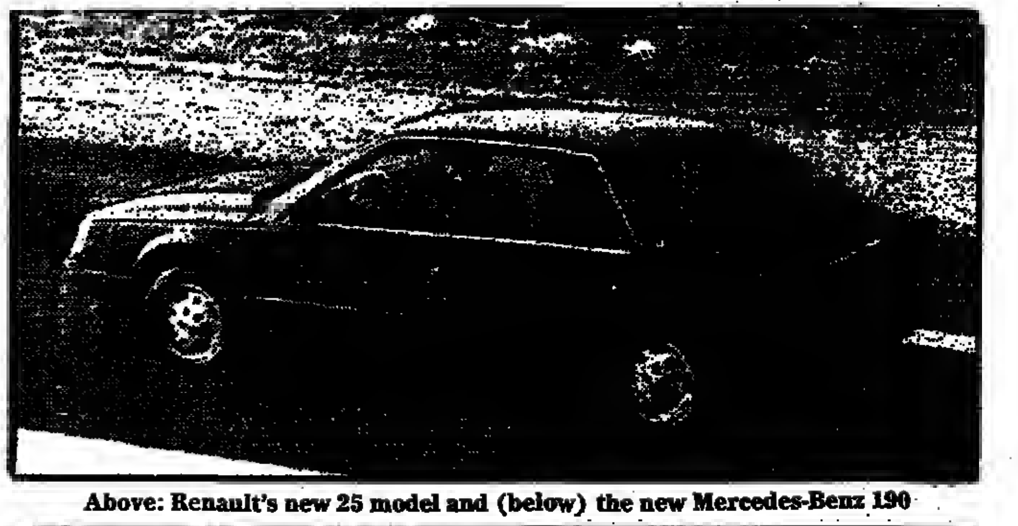
Rover now offers the Vitesse with automatic transmission. Performance is hardly affected; it is pleasanter car in town than the mannal. But why do I always feel a little claustrophobic in a Rover? The handling is excellent and the ultra-low-profile tyres make tha Vitesse feel even more responsive to small movements of the steering wheel.

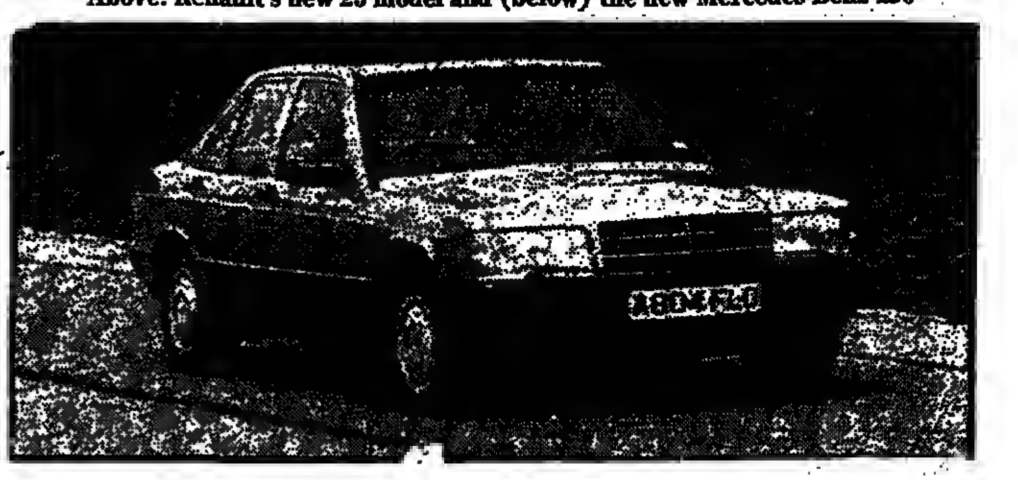
Saab's Turbo 16 and the 16S with some nice-looking and evidently effective aerodynamic aids hava intercooled engines which suffer so little from turbo lag, and develop so much torque, that they are almost one-gear cars on the open road.

Tha hand of the engineer—even the aeronautical engineer—is to be seen everywhere in the Saah range of cars. Their looks are not classically beautiful and fashion plays little part in their shaping.

To wring more and more power from e no longer young four-cylinder, two-litre engine while improving its flexibility, economy and tolerance of lower grade fuel has become almost a continuing miracle for Saab. After the 16-valve cylinder head, with anti-detonation ignition control and effective cooling of the air after compression, what can Saah do to improva the two-litre further? No douht it will show us in time.

Volvo, too, has taken to turbo-charging. The 760, with a turbo version of the 2.3 litre four-cylinder engine, is so quick and flexible it almost makes the V6 feel redundant. For the executive who cannot prise a 3-series BMW out of the firm, a Volvo 360GLE injection four-door saloon would be adequate. The ride is firm in the German manner but it is a lusty car that does what it is told and feels safe as well as willing.





Above: Renault's new 25 model and (below) the new Mercedes-Benz 190

Ford's entry to the market will add to startling growth

UK diesel share builds up

BY THE standards of most other European countries, the British market in diesel cars is very small. In 1982, total registrations were 14,530. Last year, they rose by 69 per cent to reach 24,600 registrations, or 1.37 per cent of the market. This year, not least because of Ford's entry into the arena with a 1.6 litre diesel engine of its own manufacture, registrations are confidently expected to exceed 50,000 to take well over two per cent of the market.

That will still be small compared with Europe, but it illustrates a startling growth. However, the question has to he asked: why are fewer diesel cars bought in the UK than in any other country or the EEC?

The reasons are complicated. In the first place, fleet buyers tend to favour British (or at least British sounding) makes of car and, until recently, a diesel car was by definition an import. Ford dipped a toe in the water first with a diesel Granada, powered by an aged Peugeot 2.1 litre engine that was so lacking in power that it made all the horror stories told of diesel cars seem true.

More recently, Ford has bought-in 2.3 litre and 2.5 litre Peugeot diesels for the Sierra and Granada which perform extremely well. With tha introduction of an in-house 1.6 litre diesel for the Fiesta and Escort-based bodels, every Ford car except the Capri is evailable with a diesel option.

Vauxhall, with its own 1.6 litre diesel, was in the game with the Astra and Cavalier more than two years ago. BL has been offering e version of the SD-1 executive saloon with an Italian FM 2.4 litre turbo-diesel engine and plans to offer a diesel Montego in the fairly near future.

So the fleet huyer now has a reasonable variety of British diesel cars to choose from though only two of them—Ford Granada 2.5 and Rover 2.4td—are in the executive class, and even these "British" cars are really Franco-German and Anglo-Italian. But never mind—they are perceived as British, and that is what counts.

Variety

There is, of course, large and growing variety of diesel cars from EEC countries, and increasingly from Japan, though few fleet huyers will *countenance* a Japanese vehicle for company policy reasons. These imports run the whole gamut from super-economy hatchbacks (Peugeot 205 and VW Golf diesels) to super-luxury cars suited to the tastes and status of higher management.

Typical of these are the Volvo 760, Citroen CX25 DTR and Audi 100 turbo-diesels. Whereas the baby diesel hatchbacks will yield 55-60 mpg fuel consumptions at normal motoring speeds, the big turbo-diesels offer close to normal senior executive car *performance* combined with the fuel economy of a small family saloon.

The diesel car's economy is most apparent in stop-start conditions and least evident during sustained very high speed driving on motorways. Urban cycle figures are typically 50 per cent better than those of their petrol equivalents, the margin often shrinking to a 10-15 per cent advantage at 75 mph or higher.

The lower price of diesel fuel helps but is not the critical factor in popularity. In Britain Derv (gasoil) is about 10p to 15p per gallon cheaper than 4-star, according to area, which is about the same price differential as in Germany. Yet Germany, which is also the land of the unlimited autobahn, has one of Europe's highest diesel car penetrations.

This apparent paradox contains a clue to the diesel's low market share in Britain. The high mileage British driver who, it would appear, pays for tha fuel. There is a much lower proportion of company cars in Germany and other mainland European countries. An employee using his car on company business gets mileage payment. And he stands to come out of the deal better with a diesel car than a petrol-engined model.

Because of tha relative lack of diesel cars, few British drivers have any idea bow e really modern one performs. Conventional wisdom still has it that diesels are smelly, noisy and sluggish and hrutes to start from cold. None of this is true nowadays.

The typical car diesel, whether purpose-designed or a dieselised petrol engine, starts on the key after a few seconds wait for the pre-heat system to operate. After a fairly noisy first minute or two while it warms up, it idles with a mutter, not a clatter, and at normal speeds runs as smoothly and quietly as a petrol engine. Turbo-diesels especially are almost as responsive as petrol engines yet are capable of economy that may still surprise an experienced diesel car user.

For example, I drove an Audi 200 Turbo petrol-engined car to Geneva and back, cruising close to the 81 mph limit on the autoroute and returning 30 mpg. On a return journey to Vienna, a basically similar Audi 100 turbo-diesel gave me 39.4 mpg although full advantage was taken of the derestricted autobahn to cruise at 90-95 mph for long periods. The diesel needed fewer refuelling stops. On the last leg, it ran from Bonn to the Home Counties on not much more than half a tankful.

The most conspicuously successful dieselisation programme by a large fleet operator has been that of Scottish and Newcastle Breweries whose director of physical distribution, Ray Stark, persuaded his management of the wisdom of going diesel more than four years ago. From company chairman down to junior rep., the company cars they drive home have one thing in common—a diesel under the bonnet.

Convinced

Ray Stark is more convinced than ever that his initial calculation that dieselising his fleet would save shareholders £500,000 a year will be realised. Savings are being made on fuel, lower maintenance requirements and greater retained value.

Employees of S&N have found that their diesel cars of various makes are no less agreeable than the petrol-engined cars they formerly drove. When used for private purposes, they are gratified by the economy which slashes leisure-time fuel bills.

There is now a definite trend by company fleet managers to consider diesel as an option. As fuel costs gradually climb, and *higher sales volumes lead to a* reduction in the price difference between a petrol and diesel car of equal specification, the economic attraction of a diesel car must grow. And the employee who is allocated e diesel car to replace e petrol-engined model will find he has nothing to lose except his prejudices.

S. M.

Garel Rhys, a motor industry economist, examines the company's prospects in a tough market

Jaguar: the right size to compete?

WHEN IT is read that the optimum size for a car company is one producing 2m units a year, it appears foolhardy to argue that one like Jaguar, producing 20,000 cars a year, could be viable as an independent company. However, Jaguar is already a largely self-contained operating unit, and this is *recognised* by the *company* being a distinct legal entity within BL Limited.

More than this, Jaguar operates in the luxury car sector of the market and makes no pretensions to competing in the mass market, where large volume is a pre-requisite for survival. Therefore, conventional wisdom concerning the scale of operations required for least cost, competitive and profitable operation might not apply where an assessment of Jaguar's viability is concerned.

If a company operates in a strongly differentiated niche in the market it can have considerable control over price. Jaguar, by selling to the luxury market, operates in such a distinctive market niche. This market is above the top end of the large volume "executive" market—say, above £14,000 per car—but is below the exclusive super luxury and exotic sports car sectors where cars cost over £40,000.

Therefore, unlike the mass market and the large volume executive car market where a large number of sellers generate intense competition, Jaguar is faced with only a small number of, albeit stiff, competitors. In short, although some cross-elasticity of demand exists between the luxury market and the very top of the executive market (that is, the market for the most expensive versions of a particular executive car bodyshell, such as the Ford Granada, Volvo 746, Rover V8 and so on), the main competitors faced by Jaguar are:

	Model	Output
Mercedes Benz	"S" series	100,000
BMW	6/7 series	30,000
Porsche	911/928	16,000
Cadillac	All models	100,000
Lincoln	All models	30,000

To these might be added Lotus and Maserati, but companies such as Rolls-Royce, Lamborghini, Bristol, Aston Martin Lagonda and Ferrari are for the most part in an altogether higher price bracket.

Although the basic competitive environment facing Jaguar is as depicted, the state of flux in the car market will always generate new circumstances. Already the last 12 months have seen increased overlap between the top end of the executive car range and the baseline Jaguar model. This was as a result of the volume producers introducing more luxurious versions of new or existing models, and of Jaguar holding almost constant, since mid-1982, the price of its cheapest car.

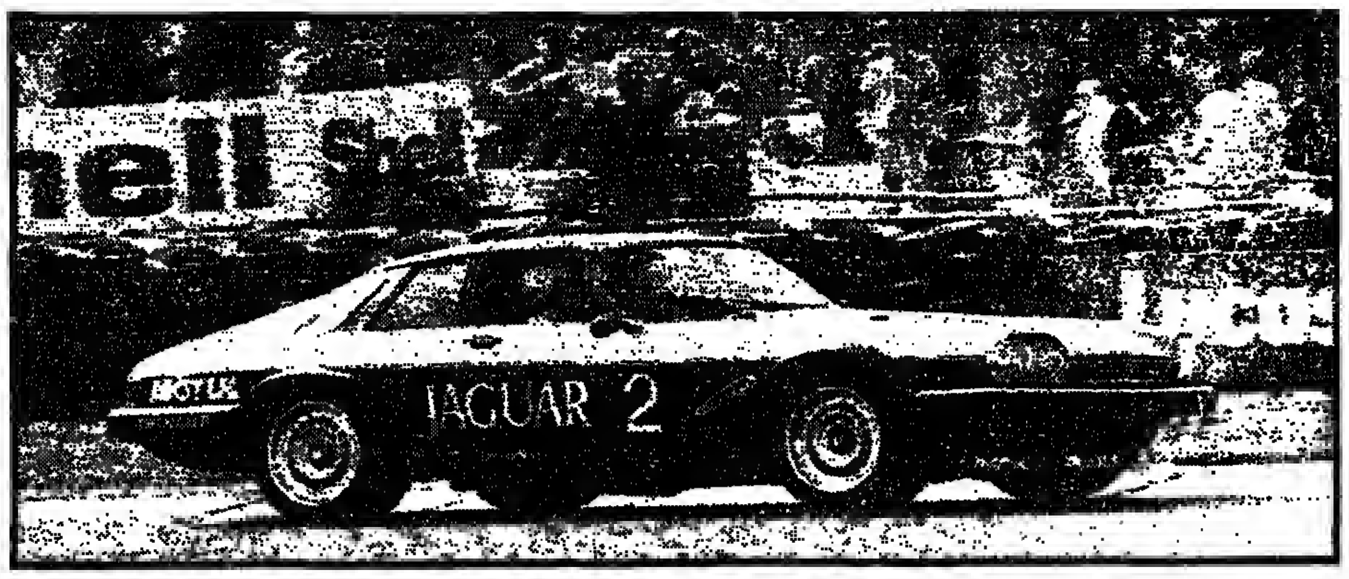
In addition, freed from interference by BL which was designed to avoid direct competition between Rover and Jaguar, the latter will be able to price its products and position them in the market solely in its own best interests. It would be surprising if this freedom *was not reflected* in the baseline XJ40 being positioned slightly further into the executive *sector*, with a "quality-adjusted" price set to interest those customers prepared to spend over £12,500 on an executive car.

Clearly this will increase the competition between Jaguar and the volume-made executive cars but it will significantly increase the market available to the XJ40 *and may obviate* the need for a "small" executive class Jaguar.

Single shift

Jaguar's present capacity of about 32,000 vehicles a year (anything much higher would threaten quality control) is based on a single-shift operation. Clearly a second shift would about double this. In addition, the present Mark III saloon is the product of a 20-year-old design and technological philsophy. The new XJ40 saloon due to appear in 1985 will reflect modern design and production methods and will only have about two-thirds the present build time measured in man-hours.

This should increase the single-shift capacity to about 43,000 units a year, with a second shift having obvious implications for aggregate volume. In other words, the new model reduces both variable costs and spreads fixed costs over a larger volume. In terms of man-hours the XJ40 brings Jaguar's productivity into line with that at Mercedes and BMW. This will result in more than five cars being produced per worker.



Jaguar's return to racing in the1984 touring car championships is aimed at promoting sales in Continental Europe, the company's main target.

The increase in productivity available to Jaguar should exceed any price reduction needed to increase volume, thereby increasing value added per man. Indeed, if the XJ40 proves to be that good, the surge in demand will be such that the market will bear extra volume at current real prices. In addition, and unlike BMW and Mercedes, Jaguar makes only luxury cars.

The two West German companies also make cheaper executive cars, and, in the case of Mercedes, commercial vehicles as well. This rednces value added per worker both because their model mix is different to Jaguar's and in that their cbeaper or commercial models (including diesel cars which are often used as taxis) affects company image in some markets. This limits the ability of BMW and Mercedes Benz to charge very high premiums on their luxury models in their large home market.

If the XJ40 is successful then Jaguar's luxury-oriented image will be boosted further. Hence, Jaguar's average added value per employee could exceed that in Daimler Benz by £6,000. Furthermore, and because the UK is now a relatively low wage economy, the average wage per employee (at present exchange rates) in the UK motor industry is considerably lower than in the West German industry.

If a UK and a West German company have comparable productivity levels, then the UK company could have a considerable labour cost advantage. This could amount to £5,000 per man. Indeed, net of wages per worker, the value added per man in Jaguar could be double that of Daimler Benz. Consequently, and where profits are concerned, the profit margin realised per car by Jaguar could more than offset any advantage in unit costs Mercedes may enjoy from its larger scale.

Given the prices of its products and given the type of profit margin used by a car maker, Jaguar's profit margin should exceed £1,000 per car. This would be consistent with the company's aim of earning at least 10 per cent on net sales of £400m. Looking at pricing strategy, it appears that the company takes Mercedes as market leader, and follows their pricing policy.

However, compared with Mercedes, Jaguar's wages per car must be considerably lower (perhaps by as much as £750). This gives a gross margin per car (ie a 10 per cent net profit margin within the sale price, plus a unit cost advantage compared with the price leader) of almost £2,000, or a gross pre-tax profit of over £60m per year on present volumes. (This compares wtih a loss of £35m in 1980, and £19m in 1979.)

If such a profit margin could be maintained on the higher planned volumes, this plus depreciation provision could provide the funds needed for an annual investment programme of at least the £100m needed for survival. This would finance the type of investment in plants, models, power train, researcb and development required for viability.

Equity

Further, it must be remembered that as the funds invested by the state in BL's rescue were advanced in the form of equity, and as Jaguar was highly profitable in 1982-3, the company's balance sheet is virtually debt-free. Consequently, interest charges would be minimal, to the benefit of profitability. (However, caution is required here, for the BL board might insist on Jaguar being allocated some of the corporation-wide debt.)

At present the company breaks even on a volume of 20,000 a year, or two-thirds of capacity. If a different pricing strategy was needed to clear the market of about 85,000 Jaguars, then the break-even volume would rise, but perhaps not in relation to capacity. However, if Jaguar re-entered the executive market with a second new saloon, break-even would increase considerably perhaps to the detriment of gross profits.

Jaguar, like its arch rivals BMW and Mercedes, requires five years to develop a new model. If the range was extended to two saloons plus a sports car (perhaps code-named XJ80), and if Jaguar was able to work on only one model at a time, each model might require a 15-year lifespan.

Given the existence of competitors and the fickleness of consumer preference, it would be a gamble to expect each model to retain its competitiveness for 15 years. (The present XJ6 illustrates that such a product life cycle is possible, but, nevertheless, such a policy is high risk.) Hence, Jaguar intends increasing its engineering-based research and development expenditures to 4 per cent of net sales, or £16m a year.

This, and other developments, could allow model programmes to overlap, and allow each model to change bodyshells every ten years or so. The new AJ6 engine (a £30m investment utilising some existing tooling), the XJ40 (a £65m investment), the buying in of transmission items, and the refurbishment of the Castle Bromwich body plant, has put the company on a secure basis.

This is especially so in tha power train area. For instance, engine manufacturing volume can match that of BMW and Mercedes Benz where their large petrol engines are concerned (although some of the German companies' tooling is common to various engines), while Jaguar secures external economies by buying-in transmissions.

Therefore, strong product differential puts Jaguar into a separate, but related, "industry" to that making supermini, light medium, medium and executive cars in large volumes. In some respects, say, in final assembly, optimum conditions in this "industry" might be quite different to those in the mass production "industry." Even so, Jaguar is smaller than many of its rivals and suffers a unit cost *disadvantage as a result.*

On the other hand, this is offset by lower prices for factor inputs, and an ability to cbarge a larger price premium per unit because of a more luxurious model mix. The market's demand for variety means that companies operating below optimum scale can charge a price premium sufficient to cover costs and to generate a high net profit. So, strong product *differentiation, high productivity*, Mercedes Benz's price leadership, and low factor input prices, allows Jaguar, where profits are concerned, to more than offset any scale disadvantage.

Under these conditions and a favourable dollar-sterling rate (say, below $2 to $2.20 to the pound) Jaguar is viable. That is: the company is profitable enough to finance a rolling product, research and development programme. However, if the product is not sufficiently differentiated; if input costs increase relatively to those incurred by rival companies; and if BMW and Mercedes engage in severe price competition, then Jaguar would not be viable notwithstanding any ability to earn short-term profits.

In addition, it may be difficult for a company with Jaguar's scale of output to establish a strong network of sole franchise dealers. This could weaken Jaguar's marketing efforts.

It is clear that Jaguar could enjoy a prosperous future, but as a small company even in its specialised market it is inevitably exposed to many risks. It is salutary to remember that in 1966 Jaguar agreed to merge with the British Motor Corporation to form the short-lived British Motor Holdings, partly because it had insufficient managerial and executive talent to secure its future, but mainly because its output volume and gross value added were insufficient to generate the resources needed to complete the financing of its much-needed new model programme before the existing model range became totally uncompetitive.

Umbrella

The present company ought to be able to avoid these problems, but if any of Jaguar's future model programmes should fail in the market-place then the company's futuro would immediately be put at risk. Consequently, despite the present euphoria, Jaguar might eventually need the financial umbrella of a larger company. If this large company was a car maker it would obtain a marque name that spread its activities into the luxury car sector.

After all, although the mass producers may make a full range of cars, they find it difficult to extend the acceptability of a marque from the supermini to the executive sectors, let alone the luxury market. Hence, Jaguar could give a mass producer the products, cachet and marque needed for customer acceptance at the top of the market. This suggests that despite the medium-term protection given by the Government to ensure that Jaguar remains under British ownership, its attractiveness to another car maker would be of longer *endurance.*

Whatever the umbrella arrangement, the solution should involve leaving Jaguar as a freestanding subsidiary. Without such a degree of autonomy, the lack of managerial and workforce motivation and morale, so evident in the period 1975-81 would re-emerge. Interestingly, Jaguar's ultimate position within BL, but with the addition of guarantees that Jaguar's earnings would not be used to cross-subsidise other activities, could have duplicated this state of affairs.

Garel Rhys, of University College, Cardiff's Department of Economics, is adviser on the motor industry to the House of Commons Select Committee on Trade and Industry.

The Renault 11 Turbo and (below) Peugeot's 205 GTi, cars with temptingly high performance

Lorne Barling examines one of the fastest-growing sectors of the market

Lift-off for the pocket rockets

"HOT HATCHBACKS" or "pocket rockets" are steadily edging their way into the executive car market, the Gold GTi having established a place for itself in the late 1970s as a car which the young executive could happily be seen driving.

Around 70,000 cars in this class were sold in Britain last year, and it is recognised to be one of the fastest-growing sectors of the car market, with some manufacturers hoping to see overall British sales approach 100,000 this year.

The Golf GTi, having made the initial breakthrough, is widely recognised to be one of the best cars in this class, having recently been restyled and enlarged, doubtless with the comfort of the young businessman and his family in mind.

However, the Golf is also at the top of the price range, selling at a little under £8,000.

It has a temptingly high top speed of 118 mph, and will go through 0 to 60 mph acceleration in 8.7 secs. The latest model adds a number of refinements to this good performance, notably an improved interior and a reduction in noise.

There are a number of theories about why this type of car should suddenly be so popular, and the most convincing is that it is really a substitute for the sports car, which is no longer available from volume car manufacturers.

Performance

Moreover, the Golf GTi and similar cars offer the owner the advantages of a reasonably-sized family car which does not have to be sold the moment marriage looms.

They offer good performance at relatively low purchase and running costs. There are also a number of unusual factors about this sector of the market, the most notable being that the arrival of new cars—such as the Peugeot 205 GTi—tends not to be at the expense of sales of other small, fast cars, but other sectors of the market.

Moreover, sales of these cars are generally increasing as a proportion of their overall model range. For example, a total of about 6,150 Golf GTis were sold in the UK in 1983, representing about 24 per cent of all Golfs imported into the UK.

The recently introduced Peugeot 205 GTi has attracted some very favourable comment in the press, since it offers performance which is very close to the Golf GTi, but at what appears to be a bargain price of about £6,300.

For that reason, it is expected to be sold in rapidly increasing numbers, although Talbot points out that, having been on the market for only six weeks, no meaningful figures are available. Eventually, it is expected to account for at least 15 per cent of 205 sales.

Talbot believes that the average buyer of this type of car will be in the 25-to-35-year age range and have considerable buying power through a middle executive or professional job. "People like that want the fun of a car with good performance, but without the problems and discomfort which are often associated with sports cars," a Talbot spokesman said.

He added that the development of the Peugeot 205 was closely associated with rallying, and that Peugeot was fully aware of the need for the car to have a high specification if it was to compete in this sector of the market.

Austin Rover is increasingly well represented here, with the recently-introduced MG Maestro and the MG Metro, with widening acceptance by customers that the MG marque is not being sullied by being attached to these cars.

The MG Maestro is certainly more of a family car than many of its competitors, due to its interior size, although with a maximum speed of 111 mph and 0 to 60 mph being achieved in 9.6 seconds, it is no laggard. Last year, about 6,000 MG Maestros were sold in the UK, which was somewhat above expectations, and Austin Rover has been "pleasantly surprised" at the number of MG Metros being sold.

A spokesman said that this market sector was one which had traditionally been dominated by imported performance cars, such as the Renault Gordini and the Golf GTi, but had remained relatively small in terms of numbers of cars sold. Austin Rover had, however, recognised the potential for volume car sales, and gone ahead with the use of the MG badge.

In addition, the company believes that it has a big advantage in being a domestic manufacturer. "You will always find that the home producer has the competitive edge if all other aspects of a vehicle are equal, because insurance and parts costs are lower, there is a bigger dealer network and there is loyalty to domestic products," a spokesman said.

Austin Rover also sees potential for this type of car in the fleet market, since there is increasing evidence that middle executives are prepared to come down from a two-litre-engined car to a "hot" 1.6 or even 1.3, because of the sporty image they offer.

BL also believes that, in the longer term, it is important for Austin Rover cars to be distinctive, particularly in the eyes of continental buyers, who, it is hoped, will again begin to see the cars as particularly British and attractive for that reason.

Ford also has two major contenders with the Escort XR3, the biggest-selling car of this type, with more than 25,000 being registered in the UK in 1983, and the recently-introduced Fiesta XR2.

Potential

In 1983, XR3 sales represented 14 per cent of the total model sales, but this is now increasing and is expected to rise to as much as 30 per cent eventually, giving an idea of the potential foreseen by Ford.

Performance of the XR3i is broadly similar to its competitors, with a price tag of just under £7,000, while the XR2 is likely to be fighting it out with the MG Metro and other smaller contenders.

Vauxhall's entry into the fray with the Astra GTE has also been successful, with sales now representing about 11 per cent of total Astra sales, compared with about 5 per cent last year. The GTE sells at just under £7,000, while the Vauxhall Nova SR comes in at about £5,400.

At the beginning of this month, Fiat also joined in the fray in the UK with the first-ever launch in the country of a model bearing the name of Abarth, long associated elsewhere in the world with high-performance Fiat cars.

The Strada Abarth-130TC is a two-litre variant of Fiat's small hatchback which went on sale in Italy last year. With an engine rating of 130 bhp—15 bhp more than any of its immediate rivals—it should be able to lay claims to being the fastest of all the small hatchbacks. This is reflected in its UK price which, at £7,800, rivals that of the Golf GTi.

Its on-paper ascendency may not last long, however. Later this year Volkswagen is due to launch a 16-valve version of its own GTi with similar power output to the Abarth but in a lighter bodyshell.

And towards the end of the year, Vauxhall's Astra GTE is also to be replaced—by an all-new design expected to be substantially quicker than the current 115 mph model.

Improvements to radio systems are making them an increasingly practical means of communication whose usefulness will be greatly extended by cellular radio.

Radio advances reaching the production line

EVEN THE TOP range of executive cars are not the ideal environment for radio and cassette systems. The audio system has to contend with the noise from the engine, tyres, road and wind.

Most of the systems in cars today are combined radio and cassette units. Top ranges of these machines tend to have up to five pre-set channels and liquid crystal displays which show the frequency of the selected channel. Models are often able to search for programmes.

Electronics companies such as Renix in France are working towards voice control of radio station tuning. Researchers in France discovered that many accidents are caused while drivers are trying to re-tune their radios.

Voice control would be a very effective way of eliminating a major hazard but development engineers still have problems with this because of the difficulty of making electronic circuitry which can reliably identify a voice above the background noise.

Motorist information services are now well established in Europe but not in the UK. The German-developed ARI system, which gives up-to-date advice to motorists such as details of traffic jams, road works and accidents in the area, is now in most other countries.

Initially, equipment available on the market had to be retuned by hand every time the vehicle moved from one radio station to another. Large motorway signs reminded the driver that it was time to retune. However, several models are now available which automatically retune to the new station. It is currently on trial in at least one area in the UK.

Voice communications, on the other hand, are likely to improve next year with the introduction of cellular radio for car telephones. This is intended to overcome the present shortcoming of in-car telephones which have been restricted as regards coverage of the country coupled with long waiting lists.

Cellular radio, which provides communications between vehicles and the public telephone network, is a concept already in operation in the U.S. and Scandinavia. In essence a car telephone operates in a area covered by one transmitter at a certain frequency. As the vehicle moves out of this area, a computer control system automatically changes frequency so that the radio telephone can operate in an adjacent area which is on a different frequency. This happens without a break in communications.

Efficient

In this way, a car telephone can still communicate over the whole of the country. It is an efficient method too since it allows the same radio frequency to be re-used over a number of areas or cells.

Two companies have been given licences by the Government to operate the cellular radio service in the UK. These are Telecom Securicor Cellular Radio and Racal Millicom. Equipment will be provided by other small companies in the UK.

British researchers are also considering the possibility of linking cellular radio by satellite. So far only Canada is thinking about going ahead with a satellite system.

The satellite system could be in operation later in this decade if the Government decides to give its approval for a national service. Again, it will give more channels to alleviate the crowded conventional radio bands.

Elaine Williams